

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, October 11, 1934, at 3:30 p. m.

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

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

The Committee considered and acted upon the following matters:

Telegram dated October 11, 1934, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, advising that, at a meeting of the board of directors today, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated October 8, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending the extension, for another thirty day period from October 14 to November 12, 1934, inclusive, of the temporary employment of Miss Beverley Mathews as a stenographer in the division, with compensation at the rate at which she was previously employed.

Approved.

Memorandum dated October 8, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending the extension, for another period of two months, of the temporary employment of Miss Hazel E. Patrick as a clerk in the division, with compensation at the rate at which she was previously employed.

Approved.

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Letter dated October 10, 1934, approved by four members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Mr. Hill's letter of October 5, 1934, addressed to Mr. Paulger, Chief of the Division of Examinations, transmitted a copy of your letter of May 18, 1934, which was not received by the Board, and, in accordance with the request contained in your letter, the Board approves the designation of the seventeen employees of the bank as special assistants to examiners. The Board understands that such designations are to be on a temporary basis for the purpose of lending clerical assistance in the examinations of larger banks, and that none of the individuals will be transferred permanently to examining work without the Board's approval."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to the board of directors of the "Iowa State Bank and Trust Company of Fairfield, Iowa", Fairfield, Iowa, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Mr. Young's letter of September 21, 1934, advising that on August 6, 1934, the 'Cherokee State Bank', Cherokee, Iowa, assumed the deposit liability of the State Trust and Savings Bank, Quimby, Iowa, and took over a like amount of assets from the latter institution.

"It is observed from the information submitted that the total deposit liability assumed by the member bank aggregated \$76,518; that the State Banking Department of Iowa approved the transaction and is satisfied that the assets taken over from the Quimby institution are good and collectible; that your counsel is satisfied as to the legality of the proceedings

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"and that the transaction has resulted in no material change in the general character of the assets of or broadening in the functions exercised by the member bank.

"The Board has reviewed the information submitted and in view of your recommendation will take no action affecting the membership of the Cherokee State Bank by reason of the transaction."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your letter of October 2, 1934, with reference to the proposed reduction in common capital stock of 'The Burlington County National Bank of Medford', Medford, New Jersey, which was approved by the Board on June 29, 1934, pursuant to a plan which provided among other things for the sale of \$50,000 of preferred stock to present directors and other stockholders at a premium of \$25,000.

"You advise that the original plan of recapitalization has been amended and that the bank now proposes to sell \$50,000 of preferred stock to the Reconstruction Finance Corporation and reduce its common capital \$50,000, using the released capital to eliminate unsatisfactory assets; also that the existing directors' guarantees in the amount of \$74,000, will continue in full force and effect until the capital is fully restored.

"In accordance with your recommendation the Board amends its previous approval to provide for the sale of \$50,000 of preferred stock to the Reconstruction Finance Corporation, and the retention of the existing directors' guarantees, as set forth in your letter of October 2, 1934, with the understanding that the other provisions of the original plan remain unchanged."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your letter of October 5, 1934, with reference to the proposed reduction in the common capital stock of 'The University National Bank of Seattle', Seattle, Washington, from \$400,000 to \$200,000, which was approved by the Board on January 17, 1934, pursuant to a plan which provided, among other things, for the sale of \$300,000 of preferred stock to the Reconstruction Finance Corporation.

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"You advise that the original plan has been amended by reducing the amount of preferred stock to be sold to the Reconstruction Finance Corporation from \$300,000 to \$200,000.

"In accordance with your recommendation, the Board amends its previous approval to provide for the sale of \$200,000, of preferred stock to the Reconstruction Finance Corporation as set forth in your letter of October 5, 1934.

"It is understood that the other provisions of the original plan remain unchanged, with the exception of the amount of eliminations to be effected. Your letter of January 8, 1934, submitting the original plan to the Board, indicated that, in addition to the released capital, approximately \$122,000 from the bank's surplus and undivided profits would be used to eliminate undesirable assets, whereas, your letter of October 5, 1934, refers only to the use of the released capital for that purpose. In this connection, it is noted that, on the basis of the report of examination of June 6, 1934, securities depreciation unprovided for amounting to approximately \$201,000, exceeds the bank's surplus and undivided profits by approximately \$28,000. It is assumed, however, that you have this condition in mind and that whenever it is practicable to do so you will require such further corrections as may be feasible."

Approved.

Memorandum dated October 6, 1934, from Mr. Smead, Chief of the Division of Bank Operations, stating that some time ago the Federal Deposit Insurance Corporation asked for copies of the division's State recapitulations of the June 30, 1934, condition reports of State member banks, which contain certain figures not published in the Member Bank Call Report; that these figures were furnished to the Corporation with the understanding that they would not be made public without the Board's permission; and that the Corporation has now worked up a statement showing practically all the details contained in the member bank condition reports, including the items contained in most of the schedules, and proposes to publish State totals separately for national banks, for State member banks, for State nonmember banks, and for Morris Plan and industrial banks, and has asked permission to include

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in the published table figures for State member banks. The memorandum submitted a letter dated October 5, 1934, from Mr. Mortimer J. Fox, Jr., Chief Statistician of the Federal Deposit Insurance Corporation, stating that in the four States in which there are two or less State member banks the figures for such banks will be consolidated with State nonmember bank figures and not shown separately; and stated that this would make it impossible for anyone to obtain the detailed figures shown in the statement for any one State member bank; that it is understood that the Comptroller of the Currency has authorized the Federal Deposit Insurance Corporation to show total figures for national banks in each state separately in the Corporation's printed statement; and that it is recommended that the Board interpose no objection to the use of the State totals for State member banks under the conditions set forth in Mr. Fox's letter.

Approved.

Telegram dated October 10, 1934, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"The Board has been asked whether Regulation T requires that additional margin be obtained if in a restricted combined account containing securities and commodity commitments there are no new transactions but there are adverse fluctuations of the commodity market. In reply the Board advised that Regulation T does not require the creditor to obtain additional margin in the circumstances indicated and that under section 4(b) of Regulation T the creditor may permit credit to be maintained in such an account regardless of mere fluctuations in the commodity market and regardless of mere bookkeeping entries used to indicate such fluctuations."

Approved.

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Telegram dated October 10, 1934, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"In reply to an inquiry, the Board has ruled that under section 4(d) of Regulation T short sales may be made in a restricted account if the margin customarily required by the creditor on such short commitments is demanded on the same day and is obtained within the time allowed by section 4(e). The same principle applies to the execution in restricted accounts of transactions of the kinds referred to in clause 4 of section 3(f)."

Approved.

Telegram dated October 10, 1934, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"In reply to an inquiry, the Board has advised that, in the case of an account which has been designated as an old account pursuant to section 7(a) of Regulation T, a withdrawal of cash which is made prior to October 15 and which thereby increases the adjusted debit balance of the account is nevertheless permitted if the account is not thereby made a restricted account and if, on October 15, the account is an unrestricted account."

Approved.

Telegram dated October 10, 1934, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"In reply to an inquiry, Board has advised that in order to be considered a 'combination of transactions' within the meaning of the second proviso of section 7(a) of Regulation T, the transactions constituting such combination must be made on the same day except that any substitution of securities consisting of a sale of securities in the account and the purchase of other securities may be considered as a single transaction occurring on the day on which the purchase occurs, if completed within a period of two successive business

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"days, regardless of whether the sale occurs before or after the purchase."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of September 25, 1934, with inclosure, in regard to the application by the Heating Service Company, Ardmore, Pa., for a loan under section 13b of the Federal Reserve Act.

"From the information which you have submitted and from the letter to the Board from the Heating Service Company, a copy of which you have received, it appears that the applicant is engaged in the business of leasing to the public, installing, and servicing automatic heating equipment and that it desires to obtain a loan under section 13b of the Federal Reserve Act for the purpose of purchasing additional heating equipment which will be leased under the company's service plan for a period of one or more years. In a recent letter from Mr. W. J. Davis, an Assistant Deputy Governor of the Federal Reserve Bank of Philadelphia, the applicant was advised that 'general counsel for the bank has rendered an opinion that your application for a loan under Section 13b of the Federal Reserve Act as amended is not eligible as the proceeds would not be used for working capital'. In your letter of September 25 to the Board, you state that the Advisory Committee refused to recommend the loan not only because the proceeds would not be used for the purpose of furnishing the company with working capital but, in addition, because the financial condition of the company was unsatisfactory and acceptable security could not be offered.

"After consideration of the information which has been submitted and particularly of the nature of the applicant's business, the Board is not prepared to concur in counsel's opinion that the proceeds of the loan would not be used for the purpose of providing working capital, and feels that the question is a doubtful one. In view of such uncertainty and of the belief that the law should be liberally construed in order to carry out its purposes of continuing and increasing employment and of aiding small commercial and industrial businesses, the Board doubts whether the Federal reserve bank would be justified in declining the application in question solely on the ground that the loan is not for the purpose of furnishing 'working capital', if the loan would meet the other requirements of the law and the Board's Regulation S.

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"Of course, the question whether a loan is acceptable from a credit standpoint is a matter for the determination of the Federal reserve bank with the recommendation of the Industrial Advisory Committee, and the Board does not question the propriety of the Committee's or the bank's refusing to approve the application on account of unsatisfactory credit conditions. However, in view of the possibility that the application may have been denied by the bank primarily because the loan was not regarded as one for the purpose of furnishing working capital, the Board suggests that it may be desirable for the bank to communicate with the applicant and explore the possibilities of correcting the objectionable features of the application with a view to determining if the loan may be made on a reasonably sound basis, unless you are fully satisfied that there is no possibility that the loan can be made on such a basis.

"Although you stated in your letter of September 25 to the Board that the Advisory Committee refused to approve the application for credit reasons as well as for the reason that the Committee did not believe the loan to be one for the purpose of furnishing working capital, the letter to the applicant advising it of the Federal reserve bank's denial of the application merely stated that counsel had ruled that the loan was not eligible as the proceeds would not be used for working capital. The Board feels that it is desirable that an applicant should ordinarily be advised fully as to the reasons for the denial of its application and that, if it may be avoided, disapproval of an application should not be based solely on legal grounds unless it is clear that the loan does not come within the intent and language of the Act.

"It will be appreciated if you will advise the Board as to what disposition is made of this matter."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. Young, Secretary of the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged, with thanks, of your letter of October 4, 1934, transmitting a copy of the minutes of the meeting of the board of directors of your bank held on September 28. Your letter and its inclosure have been brought to the attention of the members of the Board for their information.

"The Board has noted the following entry appearing on page 6 of the minutes:

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"PROPOSED VISITS TO BANKERS
RE INDUSTRIAL LOANS

Governor Schaller
submitted a letter

from the Federal Reserve Board suggesting that the officers of the Federal Reserve Bank of Chicago call on bankers in the principal cities of the district in regard to industrial loans.'

It is assumed that this entry refers to the Board's letter of September 19 suggesting that arrangements be made to call meetings of representative bankers in the Seventh district for the purpose of discussing the industrial loan program. While it appears that your directors took no action in this connection, the Board would appreciate it if you will advise whether there was any discussion in regard to the proposal which would reflect the feeling of the directors in the matter."

Approved.

Letter dated October 10, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"The Federal Reserve Board has given consideration to the recommendation of your Executive Committee, contained in your letter of September 21, 1934, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to the 'Union National Bank in Denver', Colorado, effective with the first semi-monthly reserve computation period beginning after the date of this letter, to maintain a reserve with the Federal Reserve Bank of Kansas City equal to not less than 7% of the aggregate amount of its demand deposits and 3% of the aggregate amount of its time deposits.

"Please advise the Union National Bank in Denver, Colorado, of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Federal Reserve Board at any time after appropriate notice to the member bank."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Governor McKinney of the Federal Reserve Bank of Dallas, reading as follows:

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"This refers to your letter of September 13, 1934, together with its inclosure, regarding the question whether the City National Bank, Plainview, Texas, may lawfully pay interest on deposits of Hale County, Texas, which are payable on demand.

"It is understood that prior to June 16, 1933, the City National Bank entered into a contract with the commissioners court of Hale County, Texas, to act as depository for all funds of the county and to pay interest on such funds until January 16, 1935. Under section 19 of the Federal Reserve Act the bank may lawfully pay interest on the funds in question in accordance with the terms of such contract, and the principal question to be determined, therefore, is whether the funds in question constitute a 'deposit of public funds * * * with respect to which payment of interest is required under State law' within the meaning of this section so as to authorize the bank to pay interest on such funds after the expiration of the contract.

"Under Article 2544 of Vernon's Annotated Texas Statutes, the commissioners court of each county is 'authorized and required' at the February term thereof next following each general election to receive proposals for the custody of county funds from any banking corporation, association, or individual banker that may desire to be selected as a depository. Article 2545 provides that any banking corporation, association or individual banker desiring to bid shall deliver to the county judge a sealed proposal stating the rate of interest offered to be paid on the funds of the county. Article 2546 prescribes the procedure for opening bids and makes it the duty of the commissioners court to select as the depository of all the funds of the county the banking corporation, association or individual banker offering to pay the largest rate of interest per annum for said funds. This section further provides that the interest upon such county funds shall be computed upon daily balances to the credit of the county with such depository and shall be payable to the county treasurer monthly. In the event that no proposals to act as county depository are received or in the event that all proposals should be declined, the commissioners court is then required by Article 2550 to deposit the funds of the county with any one or more banking corporations, associations, or individual bankers at a rate of interest not less than $1\frac{1}{2}$ per cent per annum.

"It is noted that counsel for your bank expresses the opinion that Articles 2544, 2545, and 2546, above referred to, do not differ materially from the statutory provisions relating to city depositories; and that inasmuch as the Federal Reserve Board has heretofore ruled that the latter provisions do not require the payment of interest on funds of cities in the State of Texas, it must be concluded that the payment of interest is not required under State law with respect to funds of counties, except in the event that such funds are deposited in accordance with the provisions of Article 2550.

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"In letters dated December 9, 1933, and March 27, 1934, in connection with the payment of interest on funds of the City of Dallas and of the City of Vernon, respectively, the Board stated that although Article 2559 of the Texas Statutes appears to authorize a city to receive proposals from banks stating the rate which will be paid on daily balances of city funds, the procedure prescribed therein apparently is not mandatory as it was not followed by the City of Dallas, and the Board concluded that the payment of interest is not required with respect to funds of the cities of Dallas and Vernon. However, it is to be noted that under such Article 2559 the governing body of every city, town and village in the State of Texas is merely 'authorized' to receive proposals for the custody of city funds, whereas under Article 2544, which is applicable in the instant case, the commissioners court of each county is 'authorized and required' to receive proposals to act as depository of county funds. Moreover, it is the duty of the commissioners court to select as depository of county funds the bank or banker offering to pay the largest rate of interest per annum and if all proposals are declined it is required that the funds be deposited at interest with a banking institution in the same or an adjoining county.

"Accordingly, in view of the fact that the statutory provisions governing depositories of county funds are in terms mandatory, it is the opinion of the Federal Reserve Board that the payment of interest on funds deposited by Hale County, Texas, in the City National Bank of Plainview, Texas, is required under State law within the meaning of section 19 of the Federal Reserve Act, and that, therefore, interest may lawfully be paid on deposits of such funds which are payable on demand."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter dated September 14, 1934, regarding the termination of the status of Ferndale Financial Corporation, Ferndale, Washington, as a holding company affiliate of The First National Bank of Ferndale, Ferndale, Washington, within the meaning of section 2(c) of the Banking Act of 1933.

"From the opinion of your counsel, it appears that Ferndale Financial Corporation now holds only 1 of the 250 outstanding shares of capital stock of The First National Bank of Ferndale.

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"Although the Federal Reserve Board believes that it should not attempt to pass upon the questions of local corporation law and practice involved in the transfer of the bank stock by Ferndale Financial Corporation to certain of its stockholders, the Board finds nothing in the facts submitted to cause it to differ from the conclusion reached by your counsel that Ferndale Financial Corporation is no longer a holding company affiliate of The First National Bank of Ferndale."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has given consideration to the following application for a permit under section 32 of the Banking Act of 1933; that, in the light of the information set forth in the letter, the Board is of the opinion that section 32 is applicable to the relationships covered by the application; and that, therefore, unless there are other circumstances which the agent believes should be considered by the Board, it is requested that he advise the applicant accordingly, although in the event the applicant desires to submit further facts or arguments in support of the application the Board is prepared to give them careful consideration:

Mr. Gordon Auchincloss, for permission to serve at the same time as a director of The Chase National Bank of the City of New York, New York, and as a director of the American International Corporation, New York, New York.

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

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"Consideration has been given to your letter of September 12, 1934, and inclosures, regarding the applicability of section 32 of the Banking Act of 1933 to the service of Mr. S. Waldo Coleman as a director of the Bank of California, National Association, as president and director of the Commonwealth Investment Company, and as president and director of North American Securities Company, all of San Francisco, California.

"It appears that Commonwealth Investment Company, which is an investment trust of the management type, was organized September 6, 1932, and that its capitalization consists of 1,500,000 shares of \$1 par value stock, of which there were outstanding 37,500 as of August 31, 1934. Commonwealth Investment Company, in order to increase the size of its investment fund, is offering additional shares of its capital stock. This operation is now being handled through North American Securities Company, which purchases such shares for its own account and resells them to dealers, absorbing any profit or loss incidental to such purchase and sale. Because of these facts, the Board stated in its letter of July 17, 1934, to Mr. Coleman that it appeared that North American Securities Company, which transacts virtually no other business, should be regarded as 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of section 32.

"It is now suggested that the present arrangement between the two companies be altered so that North American Securities Company will act merely as the agent of Commonwealth Investment Company in the acceptance of subscriptions for shares of the latter in consideration of a fee, with the result that North American Securities Company will not purchase shares of Commonwealth Investment Company for its own account nor take any position in such shares.

"It appears that it is the purpose of section 32 to restrict relationships between member banks and organizations which are directly interested in issues of securities through underwriting, distributing, or dealing in such issues, because of the possible undesirable effect of such relationships upon the member bank's credit or investment policies or its policies in dealing with its customers. Under the suggested arrangement, it appears that the relationship would be one which would fall directly within the purpose of the law, since North American Securities Company would be engaged in virtually no other business and would receive income from virtually no other source except the sale and distribution to the public of the shares of the Commonwealth Investment Company. Therefore, the Board believes that, under the suggested arrangement, section 32 would still be applicable to Mr. Coleman's service as a director of the Bank of California, National Association, and as president and director of North American Securities Company.

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"Mr. Coleman is also serving as president and director of Commonwealth Investment Company, and the applicability of section 32 to such service under the suggested arrangement is also involved. The information which has been submitted in connection with that company covering its operations for the four months in 1932 following its organization and for the twelve months in 1933 shows that purchases and sales of securities bore the following relation to total assets:

	<u>Purchases</u>	<u>Sales</u>
1932 (4 months)	108%	13.8%
1933 (12 ")	125%	88.7%

"It also appears that profits from the sale of securities bore the following relation to total profits:

	<u>Percent of profits from sale of securities to total Gross Profits</u>
1932 (4 months)	46.5%
1933 (12 ")	67.2%

"It also appears that the securities in the company's portfolio on June 30, 1934, had been held for the following periods:

Held less than 6 months	57.0%
Held from 6 to 12 months	22.2%
Held from 12 to 18 months	14.6%
Held for more than 18 months	6.2%

"On the basis of the information which has been submitted, it appears that Commonwealth Investment Company has been engaged actively in the purchase and sale of securities primarily for the purpose of obtaining the advantage of appreciation in market prices. Under the circumstances, the Board believes that it is engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of section 32 of the Banking Act of 1933; and, for the reasons stated in the Board's letter of July 17, 1934, to Mr. Coleman, the Board does not feel that it may properly issue a permit authorizing the service of an officer or director of such a corporation as a director of a member bank. Therefore, unless there are other considerations which you believe should be brought to the attention of the Board in this case, it is suggested that you advise Mr. Coleman accordingly.

"In the event that Mr. Coleman desires to submit further facts or arguments in support of an application for a permit to serve as officer and director of the Commonwealth Investment Company and as director of the Bank of California, National Association, the Board is prepared to give such facts or arguments careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible through you

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"in writing."

Approved.

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

"Reference is made to Mr. Dillistin's letter of September 28, 1934, transmitting a copy of a letter addressed to you by Mr. Albert C. Lehman, to whom the Board recently granted a Clayton Act permit to serve at the same time as a director of The Union National Bank of Pittsburgh, Pittsburgh, Pennsylvania, and as a director of the Manufacturers Trust Company, New York, New York, which permit had been forwarded by you to the applicant with a letter expressing the Board's views with regard to his infrequent attendance at directors' meetings of the Manufacturers Trust Company.

"Mr. Lehman states that it has always been his opinion that a director's value to a bank was based to a great extent on his availability for advice on the general problems of the bank, on his knowledge of credits and trade tendencies, and on his ability to secure business for the bank, particularly business outside of the locality in which the bank might be located. Mr. Lehman states that he lives outside of New York and cannot arrange to be present at weekly directors' meetings but that he frequently is consulted by the bank by letter and telephone and that he confers with the officers of the bank when he is in New York.

"The Board realizes that Mr. Lehman and the Manufacturers Trust Company may feel that his services are of peculiar value to the bank and that by reason of his residence outside of New York he cannot be present at all meetings of the directors; nevertheless when a director of a bank assumes the duties and responsibilities incident to that office, the Board feels, as stated in its letter of August 27, 1934, that he should have a satisfactory record of discharging his duties and responsibilities by participating in the management and operations of a bank which he is serving through attendance at directors' meetings.

"As further stated in its letter of August 27, 1934, the Board requests that, when you submit your recommendation as a result of your annual review of this permit, you report fully as to Mr. Lehman's attendance at directors' meetings."

Approved.

Letter dated October 10, 1934, approved by four members of the

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Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, inclosing the following Clayton Act permit; suggesting that the agent advise the applicant that it is with the expectation that he will improve his attendance at directors' meetings of the banks involved in the application 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. Thos. D. Campbell, for permission to serve at the same time as a director and officer of The First National Bank of Barton, Barton, Maryland, as a director of The Citizens National Bank of Westernport, Westernport, Maryland, and as a director of The First National Bank of Piedmont, Piedmont, West Virginia.

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"The Board has reconsidered the application of Mr. Tasker G. Lowndes, 73 Baltimore Street, Cumberland, Maryland, for permission under the provisions of the Clayton Act to serve at the same time as director and officer of The Second National Bank of Cumberland, Cumberland, Maryland, as director and officer of the Cumberland Savings Bank, Cumberland, Maryland, and as director and officer of The Lowndes Savings Bank and Trust Company, Clarksburg, West Virginia, and in view of the circumstances set forth in the letter signed by the directors of the Cumberland Savings Bank, dated September 11, 1934, has granted a permit to the applicant, effective, however, only until the close of December 31, 1934. There are inclosed the original and copies of the Clayton Act permit granted to Mr. Lowndes for transmittal by you to Mr. Lowndes and the three banks, and a copy for your files.

"In reviewing this case, it is the Board's opinion that neither Mr. Lowndes' letter of September 15, 1934 nor the letter signed by the directors of the Cumberland Savings Bank, dated September 11, 1934, has justified the nature and extent of the use of the credit facilities of the three banks by the applicant,

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"his family and his interests. It was largely upon such use of the banks' credit that the Board's unfavorable action upon Mr. Lowndes' application was based and it should be understood that the Board's action in granting the limited permit has been for the purpose of preventing any possible embarrassment to the Cumberland Savings Bank (and the other banks concerned) which might result from a severance of Mr. Lowndes' official connections with some of the banks at this period of the year.

"The Board requests that you bring to Mr. Lowndes' attention the limited status of the permit and inform him that it has been granted with the expectation that he will bring his services with the banks concerned into conformity with the provisions of the Clayton Act at the expiration of the permit.

"Please keep the Board informed of the action taken in this matter."

Approved.

Letter dated October 10, 1934, approved by four members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to the applications of Mr. W. F. Smith and Mr. C. P. Daniel for permission under the provisions of the Clayton Act to serve at the same time as directors and/or officers of First National Bank in Bristol and Union Trust Bank, both of Bristol, Tennessee.

"In the consideration of these applications it was noted that the Union Trust Bank is not under the supervision of the Department of Banking of the State of Tennessee and that it has no deposits. It was noted also, however, that this institution makes loans secured by stock and bond collateral. As you know, if the Union Trust Bank is not a 'bank, banking association or trust company' within the meaning of the Clayton Act and makes such loans, the Board would be without authority to grant permits to Mr. Smith and Mr. Daniel for the continuance of their services at the same time with that company and a national bank, and it would therefore be necessary for them to sever their relations with either the national bank or the Union Trust Bank in order to comply with the provisions of Section 8A of the Clayton Act. In the circumstances, you are requested to determine definitely whether the Union Trust Bank is a 'bank, banking association or trust company' and whether it actually does make loans secured by stock or bond collateral. In the event you find that it is not a 'bank, banking association or trust company' within the meaning of the Clayton Act and that it makes such loans, it is suggested that you inform Mr. Smith and Mr. Daniel of the provisions of Section 8A.

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"It was noted from the statement of condition of the Union Trust Bank as of March 5, 1934, submitted with the applications, that this institution has 'Bonds Guaranteed' of \$100,700 and 'Collateral Trust Bonds' of \$21,000. While the Board does not have detailed information with respect to the character of the business conducted by this concern, it appears possible that the provisions of Section 32 of the Banking Act of 1933 are applicable in these cases. Therefore, the Board requests that you make such investigation as is necessary to determine the status of Mr. Smith and Mr. Daniel with respect to the provisions of Section 32. If you find that their services with the national bank and the Union Trust Bank come within the provisions of Section 32, you are requested to inform them of the requirements of that section and, in the event they are not precluded from serving the two institutions under the prohibitions of Section 8A of the Clayton Act, as to the procedure in making formal applications for a Section 32 permit.

"It is suggested that it may be desirable for you to have counsel for your bank pass upon the questions involved in these cases, in which event, his opinion should be submitted to the Board for its consideration.

"Inasmuch as further consideration of the Clayton Act applications of Mr. Smith and Mr. Daniel is being deferred pending receipt of the information requested, it will be appreciated if you will inform the Board as promptly as possible of your findings in these matters."

Approved.

Letters dated October 10, 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. Dewitt C. Dow, Jr., for permission to serve at the same time as a director and officer of The First National Bank of Cobleskill, Cobleskill, New York, and as a director of The First National Bank of Middleburgh, Middleburgh, New York.

Mr. Howard C. Dixon, for permission to serve at the same time as a director and officer of The Citizens National Bank of Westernport, Westernport, Maryland, and as a director and officer of The First National Bank of Barton, Barton, Maryland.

Mr. P. A. Laughlin, for permission to serve at the same time as a director and officer of The First National Bank of Barton,

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Barton, Maryland, and as a director of The Citizens National Bank of Westernport, Westernport, Maryland.

Mr. Albert D. Graham, for permission to serve at the same time as a director and officer of The First National Bank of Baltimore, Baltimore, Maryland, and as a director and officer of the Bank of Sparrows Point, Sparrows Point, Maryland.

Mr. Walter Hopkins, for permission to serve at the same time as a director of The First National Bank of Baltimore, Baltimore, Maryland, and as a director of the Bank of Sparrows Point, Sparrows Point, Maryland.

Mr. George Weems Williams, for permission to serve at the same time as a director of The First National Bank of Baltimore, Baltimore, Maryland, and as a director and officer of the Bank of Sparrows Point, Sparrows Point, Maryland.

Mr. Archer C. Holloway, for permission to serve at the same time as a director and officer of The Commercial National Bank of Snow Hill, Snow Hill, Maryland, and as a director and officer of The Home Bank of Newark, Newark, Maryland.

Mr. J. F. Ryan, for permission to serve at the same time as a director and officer of The National Bank of Herndon, Herndon, Virginia, and as a director of The Peoples National Bank of Leesburg, Leesburg, Virginia.

Mr. Fred C. Dickson, for permission to serve at the same time as a director of The Merchants National Bank of Indianapolis, Indianapolis, Indiana, and as a director of The Indiana Trust Company, Indianapolis, Indiana.

Mr. J. P. Frenzel, Jr., for permission to serve at the same time as a director and officer of The Merchants National Bank of Indianapolis, Indianapolis, Indiana, and as a director and officer of The Indiana Trust Company, Indianapolis, Indiana.

Mr. John M. Mendenhall, for permission to serve at the same time as a director and officer of the Brightwood State Bank, Indianapolis, Indiana, and as an employee of The Merchants National Bank of Indianapolis, Indianapolis, Indiana.

Mr. Gussie Weaver, for permission to serve at the same time as a director of The First National Bank of Wortham, Wortham, Texas, and as a director of The First National Bank of Richland, Richland, Texas.

Mr. Alden Anderson, for permission to serve at the same time as a director and officer of The Capital National Bank of Sacramento,

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Sacramento, California, as a director of the First National Bank of Chico, Chico, California, and as a director and officer of the Bank of Rio Vista, Rio Vista, California.

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. 11.</u>		
Bexar County National Bank of San Antonio, San Antonio, Texas	360	360

Approved.

Thereupon the meeting adjourned.

Assistant Secretary.

Approved:

Vice Governor.