

A meeting of the Federal Reserve Board was held in Washington on Thursday, October 25, 1934, at 3:15 p. m.

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

Mr. Morrill, Secretary

Reference was made to a draft of a proposed letter to the chairmen of all Federal reserve banks which had been approved by Governor Black in regard to the continuance of the Havana agency. Attention was called to the statement of Governor Black in his letter of September 27, 1934, regarding a conference that he had had with Assistant Secretary of State Sumner Welles.

After discussion it was moved by Mr. Hamlin that action upon the proposed letter be deferred until next Tuesday morning for determination at a meeting of the full Board, including the ex officio members; that Governor Black be asked to be present at that meeting; and that in the meantime the matter be discussed by Vice Governor Thomas with the Secretary of the Treasury.

Unanimously adopted.

The question as to the advisability of further consideration of changes in Federal Reserve Agents at New York, Chicago and Dallas was brought up for discussion.

A motion by Mr. Hamlin was unanimously adopted that consideration of this question be deferred until the meeting of the full Board to be held next Tuesday morning.

Mr. Szymczak stated that, in accordance with the action taken at the meeting of the Board on June 29, 1934, he, as Chairman of the

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Committee on District No. 7, had taken active steps to find a person to succeed Mr. Stevens as Chairman of the board of directors and Federal Reserve Agent at the Federal Reserve Bank of Chicago on January 1, 1935; that he had given further attention to the matter on his recent Western trip; and that, upon his return to Washington on September 10, 1934, and since then on several occasions he had advised the other members of the Board informally that he was prepared and ready to submit a recommendation.

Mr. Miller reported that he had instituted negotiations with Mr. John Mead Howells for the purpose of employing him as a consulting architect in handling the details of the proposed competition in connection with the selection of the architect for the Board's new building and that yesterday afternoon he had received a letter from Mr. Howells declining such an appointment. Mr. Miller said that, as a result of inquiries that he had made, he had been advised that Mr. Everett V. Meeks, an architect in New York who is also a professor of architecture at Yale University, was probably the most suitable man obtainable for this purpose. Mr. Miller added that he had been informed that the compensation usual in such cases ranges from \$1500 to \$2500. Mr. Miller asked that the Board authorize him to take up either directly with Mr. Meeks or through the Fine Arts Commission the question of his acceptance of an appointment for the purpose in view.

Mr. Hamlin moved that Mr. Miller be authorized to negotiate with Mr. Meeks in accordance with Mr. Miller's recommendation.

Unanimously adopted.

Mr. Miller said that the Board's Secretary and other members of

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the staff had done a great deal of work and had gathered a great deal of material for the assistance of the Board in determining upon the plans for the new building; that it had been concluded that on the whole it would be desirable to have all this material checked and analyzed and expanded by someone who has had special experience and would be more or less of an expert in that line of work; that it had been brought to his attention that Mr. E. F. Abell, who has been temporarily employed by the Federal Reserve Bank of New York in connection with the construction of the addition to and the alteration of the New York bank building, is an equipment engineer who has had considerable experience in matters of this kind, not only for the Federal Reserve Bank of New York but for other large organizations; that he receives from the Federal Reserve Bank of New York compensation at the rate of \$350 per month for this service; and that he could be made available to the Board on short notice. Mr. Miller recommended that authority be granted to take the matter up with Mr. Abell for the purpose of obtaining his services on a temporary basis, which it was believed should not consume more than six weeks at the outside.

Upon Mr. Miller's motion such authority was granted unanimously.

The Board then considered and acted upon the following matters:

Letter dated October 24, 1934, approved by five members of the Board, to Mr. L. R. Buskey, Editor in Charge, United States Code 1934 Edition, Edward Thompson Company, Northport, Long Island, New York, reading as follows:

"This refers to your letter of September 14, 1934, in regard to the amendment to section 31 of the Banking Act of 1933 by section 4 of the Act of June 16, 1934.

"Section 31 of the Banking Act of 1933 reads as follows:

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"Sec. 31. After one year from the date of enactment of this Act, notwithstanding any other provision of law, the board of directors, board of trustees, or other similar governing body of every national banking association and of every State bank or trust company which is a member of the Federal Reserve System shall consist of not less than five nor more than twenty-five members; and every director, trustee, or other member of such governing body shall be the bona fide owner in his own right of shares of stock of such banking association, State bank or trust company having a par value in the aggregate of not less than \$2,500, unless the capital of the bank shall not exceed \$50,000, in which case he must own in his own right shares having a par value in the aggregate of not less than \$1,500, or unless the capital of the bank shall not exceed \$25,000, in which case he must own in his own right shares having a par value in the aggregate of not less than \$1,000. If any national banking association violates the provisions of this section and continues such violation after thirty days' notice from the Comptroller of the Currency, the said Comptroller may appoint a receiver or conservator therefor, in accordance with the provisions of existing law. If any State bank or trust company which is a member of the Federal Reserve System violates the provisions of this section and continues such violation after thirty days' notice from the Federal Reserve Board, it shall be subject to the forfeiture of its membership in the Federal Reserve System in accordance with the provisions of section 9 of the Federal Reserve Act, as amended.' (Underscoring supplied).

"Section 4 of the Act of June 16, 1934, provides:

'Sec. 4. So much of section 31 of the Banking Act of 1933 as relates to stock ownership by directors, trustees or members of similar governing bodies of member banks of the Federal Reserve System, is hereby repealed.'

"It is the view of the Board that the effect of section 4 of the later Act was to repeal the language of section 31 of the Banking Act of 1933 which is underscored, and that the other provisions of that section remain in full force and effect. You will note that the penal provisions of section 31 are permissive and not mandatory."

Approved.

Letter to Honorable Robert J. Bulkley, United States Senator, reading as follows:

"Reference is made to your letter of October 6 inclosing a letter addressed to you under date of October 4 by Honorable A. P. Lamneck, in regard to the disapproval by the Federal Reserve Bank of Cleveland of an application for an industrial loan in the amount of \$25,000 filed by The Atlas Brass Foundry Company, Columbus, Ohio.

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"It appears from the statements made by Mr. Lamneck that there is some confusion in his mind, and perhaps in the mind of the applicant, with respect to the separate and distinct functions and method of operation of the Federal reserve banks and the Reconstruction Finance Corporation. The power to make industrial advances has been vested in each Federal reserve bank and the Federal Reserve Board has placed no restrictions upon the reserve banks in this connection other than those set forth in the law itself, and, in the circumstances, there is no occasion for the reserve banks to submit loan applications to the Federal Reserve Board before taking final action with respect thereto. On the other hand, the loan agency of the Reconstruction Finance Corporation must of necessity, under existing procedure, submit applications to Washington for final action. Since it appears that the applicant also filed an industrial loan application with the Cleveland Agency of the Reconstruction Finance Corporation it is assumed you will communicate directly with the Corporation with respect thereto.

"As indicated to you in our letter of October 8, the Board has communicated with the Federal Reserve Bank of Cleveland in order to obtain information concerning the application filed by The Atlas Brass Foundry Company with that bank. A reply has now been received indicating that on August 6 an application was received from the company for an advance in the amount of \$25,000; that the usual investigation had been made by the Industrial Advisory Committee at Cleveland in connection with the application and that the Advisory Committee had recommended to the reserve bank that the loan be declined, in which recommendation the Executive Committee of the reserve bank concurred, because of the operating and financial record of the company, lack of adequate evidence of its ability to repay the loan, and its inability to provide sufficient security therefor. The reserve bank stated that among the considerations which led to the disapproval of the loan, were the following:

'The operating statements of the company covering the years 1927 to and including July 9, 1934, show that the company made a profit in only one year, 1929. In the other years, substantial losses were sustained, the net loss for the period being something over \$98,000, \$53,000 of this loss having been incurred in the pre-depression years 1927 and 1928. Profit in 1929 was \$34,855.

'The Company was in receivership from February 10, 1932, to July 15, 1933, when the new corporation, under substantially the same management and as part of the reorganization, acquired the assets of the old company indirectly from the receiver in exchange for preferred stock. Those interested in the company obtained a loan, mortgaging some of their own assets and practically all of the company's property, including its equipment, as security.

'Approximately thirty per cent. of the loan proceeds would be used to retire a mortgage loan, which, in our opinion, is not an eligible purpose.

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"The company is engaged in a highly competitive field since it operates a job foundry and machine shop. One of its chief outlets is to manufacturers of automobiles. Its past operating record indicates the inability of the management to operate the business in such a competitive field and makes it appear doubtful whether any loan granted could be paid out of earnings."

"Governor Fancher of the Federal Reserve Bank of Cleveland has assured the Board that this case has had the careful attention of both the Industrial Advisory Committee of the district and the Executive Committee of the reserve bank and that the decision in each case was unanimous."

"The Federal reserve banks are striving to make all possible loans in accordance with the spirit and purpose of the Act of June 19, 1934, and the Board has encouraged a liberal attitude with respect to interpretation of the law and consideration of credit risks."

"As requested in your letter of October 6, the letter from Honorable A. P. Lanneck dated October 4 is returned herewith."

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board has reviewed the report of examination of the Federal Reserve Bank of Atlanta made as at the close of business May 26, 1934, copies of which were left with you and Acting Governor Johns."

"On page 18 of the report the examiner comments upon the fact that the Bank Examination Department continued to depend largely upon State supervisory authorities to obtain correction of matters criticized in reports of examination but that you had expressed the intention of adopting a policy of dealing directly with member banks in all cases where no efforts are being made or satisfactory results obtained in this respect by the State banking authorities. In this connection it has been noted that you expected to hold conferences with the various State supervisory authorities within the next few months and that matters of policy with reference to supervision of State member banks would be a subject for discussion. The Board would appreciate being advised as to whether such conferences have now been held and if so would be interested in receiving from you a brief resume of the matters discussed and conclusions

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"reached.

"The report indicates (page 22) that on date of examination three commercial banks in New York were holding for the account of the Federal Reserve Bank of Atlanta, United States Government securities aggregating \$3,327,500 which were pledged by various banks in the sixth district as collateral to secure War Loan deposit accounts while Treasury Department Circular Number 92 provides that all securities accepted as collateral to such deposits must be deposited with the Federal Reserve Bank (or branch) of the district in which the depository is located. It has been noted that the management has been endeavoring to obtain permission from the Treasury Department to have these securities held in New York as a convenience to the banks in the sixth district, and it will be appreciated if you will advise whether such permission has been received and the status of the collateral referred to at the present time.

"It has been observed (page 23) that there were four banks in the Nashville Branch zone which were delinquent in remitting for cash letters sent them by the Branch. The matter of delayed remittances for cash letters sent by the Nashville Branch was commented upon in the last report of examination as well as in the Board's letter to you of March 22, 1934, relative thereto. The examiner feels that stricter supervision on the part of the management of the Branch should be exercised in this respect and states that the matter will receive the further attention of the Head Office management. The Board would like to be advised as to the action taken to secure the prompt remittance for cash letters forwarded by the Nashville Branch and as to whether all banks in the zone are now remitting promptly.

"The examiner has reported that he discussed with Acting Governor Johns the question of management and general operating efficiency of the branches at Birmingham and Jacksonville and was advised that these matters would receive attention. It will be appreciated if you will advise the Board as to the action which has been or will be taken to bring about the desired corrections. The examiner has advised (page 150) that Deputy Governor Conniff had stated that the question of strengthening the protection at the Head Office and at those branches where additional protection is deemed advisable was being given consideration and the Board would like to be informed as to the bank's plans in this respect.

"The agreement, a copy of which was forwarded with your letter of June 22, 1934, entered into between the cashier of the Nashville Branch and five banks to which he is indebted, indicates that he owns and has pledged as collateral to such indebtedness, stock of the American National Bank, Nashville, Tennessee. The examiner has reported that you had stated that the matter of adopting a policy in connection with the

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"holding of member banks' stock either directly or indirectly by officers of the Reserve Bank would be taken up at the next directors' meeting and the Board would like to be advised as to the views of the directors in this respect and as to any policy which may have been adopted. In your letter of June 22, 1934, you commented on the possibility of consolidating the indebtedness of the cashier of the Nashville Branch by placing a loan for the full amount with some firm or individual and thereby eliminate the criticism of his indebtedness to member banks. It will be appreciated if you will advise the Board as to the progress being made in this direction.

"After the report and this letter have received the consideration of the board of directors of the Federal Reserve Bank, the Board would appreciate advice from you as to what action has been taken or will be taken on the matters discussed."

Approved.

Letter dated October 24, 1934, approved by four members of the Board, to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"I have brought to the attention of the members of the Board your letter of October 22 in regard to a proposed joint meeting of the Atlanta district branch bank directors and managers with the board of directors of the Federal Reserve Bank of Atlanta on November 2, 1934. The Board has noted the feeling of your board of directors that such a meeting would be helpful and desirable and approves the payments by the bank of the expenses in connection therewith."

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Consideration has been given to the letter of Mr. Joseph S. Maxwell dated August 23, 1934, a copy of which was inclosed with Mr. Dillistin's letter of August 27, 1934. Mr. Maxwell's letter contains additional information in connection with his application under the provisions of section 32 of the Banking Act of 1933 for permission to serve as an officer of the New York Trust Company and as a director of the Reliance Management Corporation, both of New York, New York.



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"In its letter of August 20, 1934, to Mr. Maxwell, the Board took the position that the large percentages of purchases and sales of securities, as compared with total assets, during the past five years, as well as the fact that large percentages of the securities owned by the corporation at the end of the years 1932 and 1933 had been held for comparatively short periods, indicated that the corporation was an organization of the kind referred to in section 32 because actively engaged in purchasing and selling securities, and that therefore the Board did not believe that it could properly grant Mr. Maxwell's application.

"Mr. Maxwell's letter of August 23, 1934, explains that the corporation had a bond issue of \$5,000,000 which contained a clause rendering the bonds in default whenever the market value of the portfolio was less than 125% of the principal amount of the bonds outstanding. In view of the consistent decline in the securities market during the years 1930, 1931 and 1932, the corporation found it necessary to liquidate a large portion of its portfolio in order to avoid the danger of a technical default of the bonds under this provision. A large portion of the bonds were later retired with a portion of the proceeds of this liquidation and the remainder of such proceeds were used to purchase investment securities. Mr. Maxwell's letter takes the position that these circumstances were responsible for the relatively high rate of turnover in the corporation's portfolio.

"However, Mr. Maxwell's letter contains figures, which he regards as indicative of the normal activity of the company, which show that, for the period January 1, 1934 to July 31, 1934, purchases of securities were equivalent to 32.7% of the total value of securities held, and sales were equivalent to 32.2%. These figures indicate an annual turnover which is similar in amount to that referred to in the Board's letter of August 20, 1934 to Mr. Maxwell.

"Moreover, these figures would indicate that a relatively large proportion of the securities in the portfolio had been held for a relatively short time as of July 31, 1934 and would therefore indicate that the situation was similar in this respect to that existing at the end of the two preceding years, which was referred to in the Board's letter of August 20, 1934 as one of the grounds for its conclusion.

"Under the circumstances, it does not appear that the additional information which has been submitted is sufficient to enable the Board to reach a different conclusion from that expressed in its letter of August 20, 1934. It will be appreciated if you will advise Mr. Maxwell of the Board's position and request him to advise you of the steps which he takes to comply with the provisions of the statute."

Approved.

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Letter dated October 24, 1934, approved by five 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 October 2, 1934, replying to the Board's letter of September 29, 1934, regarding the applicability of section 32 of the Banking Act of 1933 to the service of Mr. J. C. Thompson as a director of the First National Bank in Oshkosh, Oshkosh, Wisconsin, and as a director of Sawyer Company, Wilmington, Delaware.

"The Board's letter of September 29, 1934, noted that your office was of the opinion that section 32 was not applicable to the relationship in question since it appeared that the company was engaged in holding a portfolio of investments, making only such changes therein as it deemed necessary to keep its funds invested to the best advantage, and that the company has had no dealings directly with the public. However, the Board's letter asked for detailed information as to the business of the company in order that it might be in a position to decide the question.

"Mr. Young's letter of October 2, 1934, contains the desired information, from which it appears that, during each of the years 1929 to 1933 inclusive, purchases as well as sales of securities have amounted to considerably less than 1% of the total assets of the corporation. On the basis of this and other information which has been submitted, it appears clearly that the conclusion of your office is correct."

Approved.

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

"Reference is made to your letter of October 5, 1934, transmitting a copy of a letter addressed to you by Mr. Philip Stockton to whom the Board recently granted a Clayton Act permit to serve at the same time as director and officer of The First National Bank of Boston, Boston, Massachusetts, as director and officer of First of Boston International Corporation, New York, New York, and as director of French American Banking Corporation, 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 attendance at directors' meetings of the French American Banking Corporation.

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"Mr. Stockton states that The First National Bank of Boston, of which he is president, owns 25% of the stock of the French American Banking Corporation, that Mr. D. A. de Menocal, vice president of The First National Bank of Boston, is in New York the greater portion of his time and attends directors' meetings of the French American Banking Corporation with regularity and that the proceedings of the meetings held by the directors of French American Banking Corporation are forwarded to Mr. Stockton, in view of which he states that it seems quite unnecessary for him to attend meetings unless it happens to suit the convenience of the First National Bank. He further states that the reason he remained as a director of French American Banking Corporation is to make sure of the balance of power on the board.

"The Board realizes that Mr. Stockton may, in view of the foregoing, feel that his presence at directors' meetings is unnecessary 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 September 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 including attendance at directors' meetings.

"As further stated in its letter of September 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. Stockton's attendance at directors' meetings."

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Leon L. Hill, for permission to serve at the same time as a director and officer of The First National Bank of Sherrill, Sherrill, New York, and as a director of the First Trust and Deposit Company, Oriskany Falls, New York.

Approved, together with a letter, also dated October 24, 1934, and approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that, in the circumstances set forth in the letter, the Board concurs in the agent's opinion that the permit should be granted but suggests that the agent endeavor,

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in cooperation with the appropriate supervisory authorities, to expedite the rehabilitation of the national bank and to bring about a correction of the conditions which have given rise to the examiners' criticisms in both of the banks referred to above; 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 progress made in bringing about an improvement in the condition of the banks.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing the following Clayton Act permit; and stating that, if the agent finds to his satisfaction that the provisions of section 32 are not applicable to the applicant, he is authorized to transmit the permit, and that it is requested that the agent advise the Board of the action taken in the matter. The letter also suggested that the agent advise the applicant that it is with the expectation that he will improve his attendance at directors' meetings of the trust company that the permit has been granted, and requested 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. George MacDonald, for permission to serve at the same time as a director of the Manufacturers Trust Company, New York, New York, and as a director and officer of the Federal Home Loan Bank of Newark, Newark, New Jersey.

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, inclosing the following Clayton Act permit, and stating that, if he finds to his satisfaction that the provisions of section 32

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are not applicable to the applicant, he is authorized to transmit the permit. The letter also requested that the agent advise the Board of the action taken in the matter.

Mr. Harry J. Stevens, for permission to serve at the same time as a director and officer of the Franklin Washington Trust Company, Newark, New Jersey, and as a director of the Federal Home Loan Bank of Newark, Newark, New Jersey.

Approved.

Letter to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, inclosing the following Clayton Act permit; stating that, in all the circumstances set forth in the letter, and in order to avoid any unnecessary misunderstanding in the community which might prove detrimental to the best interests of the First National Bank in Greensburg and in accordance with the agent's recommendation, the Board has approved the permit to expire, however, December 31, 1935, the date of the expiration of the applicant's appointment as director of the Pittsburgh branch of the Federal Reserve Bank of Cleveland; that it appears, too, that the applicant should not be permitted to exercise any undue domination in the affairs of the First National Bank in Greensburg, and that, to this end, he should be surrounded by a capable and efficient executive personnel. The letter also requested that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully with respect to any detrimental domination of the First National Bank in Greensburg by the applicant and with respect to any improvement in the character of the management of that institution:

Mr. Richard Coulter, for permission to serve at the same time as a director and officer of the First National Bank

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in Greensburg, Greensburg, Pennsylvania, and as a director of the Pittsburgh branch of the Federal Reserve Bank of Cleveland, Pittsburgh, Pennsylvania, for the period ending at the close of December 31, 1935.

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that the Board has given consideration to the following application for a permit under the Clayton Act, and that, upon the basis of the information before it, concurs in the agent's opinion that the issuance of the permit applied for would be incompatible with the public interest. The letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

Mr. C. E. Morlatt, for permission to serve at the same time as a director and officer of The First National Bank of Camden, Camden, Ohio, and as a director of The Eaton National Bank, Eaton, Ohio.

Approved.

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

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. H. B. Philson, Berlin, Pennsylvania, to serve at the same time as director of The Citizens National Bank of Meyersdale, Meyersdale, Pennsylvania, and as director and officer of The Philson National Bank of Berlin, Berlin, Pennsylvania, for transmittal by you to Mr. Philson and the two banks, and a copy for your files.

"Mr. Philson did not answer Question 12, F.R.B. Form 94, and his reply to Question 13 is not clear. Before delivering the permit to Mr. Philson and the copies thereof to the banks,

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"you are requested to satisfy yourself that he is serving no organizations, other than the two banks, whose activities are such that his services to them would be subject to the prohibitions of Section 8A. Please inform the Board of your disposition of this matter."

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. Charles H. Simms, Dayton, Ohio, to serve at the same time as a director of The Winters National Bank and Trust Company of Dayton, Dayton, Ohio, and as a director and officer of The First National Bank of Osborn, Osborn, Ohio.

"In the consideration of Mr. Simms' application for a Clayton Act permit, it was noted that he was serving as a director of the Winters National Company, a securities affiliate of the Winters National Bank and Trust Company, since information in the file shows that the boards of directors of the institutions are identical. It was noted also in the report of examination of the national bank as of May 31, 1934, the examiner stated that the securities affiliate has transacted no business since September, 1932, that it would be liquidated, and that apparently a meeting of its stockholders for that purpose had been called for August 14, 1934. In this connection, reference is made to the Board's telegram of May 22, 1934 (X-7903), wherein the opinion was expressed that Section 20 of the Banking Act of 1933 will not require the divorcement of a securities company which shall have been placed in formal liquidation and which shall transact no business except such as may be incidental to liquidation of its affairs.

"It was noted further that each share of the capital stock of The Winters National Bank and Trust Company of Dayton (as of the date of its examination) carried an endorsement indicating an interest of 1/10 of a share of the stock of the Winters National Company, the continuation of which, after June 16, 1934, would constitute a violation of Section 5139 of the United States Revised Statutes, as amended by the Banking Act of 1933. It is possible, however, that, at the meeting of the stockholders which was called for August 14, 1934, definite steps were taken to eliminate the violation of this Section.

"When you have satisfied yourself that the status of the Winters National Company is as outlined in the Board's telegram

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"referred to above and that The Winters National Bank and Trust Company has taken definite steps to comply with the provisions of Section 5139 of the United States Revised Statutes, you are authorized to release the Clayton Act permit to the applicant and copies thereof to the banks concerned.

"Please advise the Board of the action taken in this matter."

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board has reconsidered the application of Mr. W. C. Durkes, Dixon, Illinois, for permission under the provisions of the Clayton Act to serve at the same time as a director of City National Bank in Dixon, Dixon, Illinois, and as director and officer of Franklin Grove Bank, Franklin Grove, Illinois, and upon the basis of the information before it, including that submitted by the applicant in his letter dated September 29, 1934 and that submitted in his behalf by Mr. John L. Davies, Vice President of City National Bank in Dixon under date of September 29, 1934, still feels that the granting of the permit applied for would be incompatible with the public interest, as indicated in its letter to you dated September 17, 1934. You are requested to advise the applicant accordingly.

"Please ascertain and advise as to what further steps Mr. Durkes proposes to take in order to comply with the provisions of the Clayton Act."

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Assistant Federal Reserve Agent Young's letter of September 24, 1934, with which was inclosed a copy of a letter dated September 19, 1934, from Cherry Valley State Bank, Cherry Valley, Illinois, relative to the Clayton Act application of Mr. G. C. Spafford, Rockford, Illinois, for permission to serve at the same time as a director and an officer of The Third National Bank of Rockford, Illinois, as a director of State Bank of Kirkland, Kirkland,



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Illinois, and as a director of Cherry Valley State Bank, Cherry Valley, Illinois, which application was disapproved by the Board on July 31, 1934, and again on August 28, 1934.

"It is noted that Mr. Spafford has advised your office that he has resigned as a director of State Bank of Kirkland and that he also has submitted his resignation as a director of Cherry Valley State Bank.

"The Board has given consideration to the additional facts submitted with Mr. Young's letter of September 24, 1934, but still feels that the issuance of the permit applied for would be incompatible with the public interest. You are requested to advise the applicant accordingly.

"Please ascertain and advise the Board whether Mr. Spafford definitely and finally has severed his connections with State Bank of Kirkland and Cherry Valley State Bank."

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, inclosing the following Clayton Act permit; requesting that, before releasing the permit to the applicant, the agent satisfy himself as to whether or not the criticized practices referred to in the letter exist; and stating that, if it is determined that such practices do not exist, or that, although they actually exist, such practices are being immediately discontinued, or the applicant is not responsible therefor, the agent is authorized to release the permit to the applicant, and that it is requested that the agent inform the Board of the action taken in the matter. The letter also requested that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the existence at that time of the practices referred to in the letter and as to the applicant's responsibility, if any, therefor.

Mr. C. A. Bowman, for permission to serve at the same time as a director of The Denver National Bank, Denver, Colorado,

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as a director and officer of The Guardian Trust Company, Denver, Colorado, and as a director and officer of the First Industrial Bank, Denver, Colorado.

Approved.

Letter dated October 24, 1934, approved by five members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. Edgar Hooker, Fulbright, Texas, to serve at the same time as director of The First National Bank of Deport, Deport, Texas, and as director of The First National Bank of Bogata, Bogata, Texas, for transmittal by you to Mr. Hooker and the two banks and a copy for your files.

"In addition to the two banks mentioned above, Mr. Hooker made application to serve as director and officer of Fulbright State Bank, Fulbright, Texas. In view of the statement in your letter of October 2, 1934, that the Fulbright bank does not make loans on stocks or bonds, and the fact that a statement on F.R.B. Form 94a was not obtained from this bank, a permit has been issued covering only the applicant's service with the two national banks.

"It is suggested that you inform Mr. Hooker of the provisions of section 8A and advise him that if the Fulbright State Bank should, in the future, make loans secured by stock or bond collateral within the meaning of section 8A, his service at the same time with the two national banks and the State bank would be illegal, unless there is in force a permit covering his services with the Fulbright bank and the national banks served by him."

Approved.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, 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 permit to him. The letter also requested that the agent advise the Board of the action taken by him in the matter.

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Mr. A. Shemanski, for permission to serve at the same time as a director of the Seattle Trust Company, Seattle, Washington, and as a director of the First National Bank of Seattle, Seattle, Washington.

Approved.

Letters dated October 24, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Walter Christie, for permission to serve at the same time as a director and officer of The Bergenfield National Bank and Trust Company, Bergenfield, New Jersey, and as a director of the Palisades Trust and Guaranty Company, Englewood, New Jersey.

Mr. L. I. Rice, for permission to serve at the same time as a director of the Citizens National Bank of Berkeley Springs, Berkeley Springs, West Virginia, and as a director of The Old National Bank of Martinsburg, Martinsburg, West Virginia.

Mr. E. S. Schiefelbein, for permission to serve at the same time as a director of The First National Bank of Wahoo, Wahoo, Nebraska, and as a director and officer of the Security Home Bank, Malmo, Nebraska.

Approved.

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

Mr. Martin R. Hildebrant, for permission to serve at the same time as a director of The Citizens National Bank of Netcong, Netcong, New Jersey, and as a director of the American Trust Company, Morristown, New Jersey.

Mr. Henry M. Parmele, for permission to serve at the same time as a director and officer of The Hamlin National Bank of Holcomb, Holcomb, New York, and as a director of The Canandaigua National Bank and Trust Company, Canandaigua, New York.

Mr. William M. Seguire, for permission to serve at the same time as a director of The Dover Trust Company, Dover, New Jersey, as a director of The Portland National Bank, Portland, Pennsylvania, and as a director of The East Stroudsburg National Bank, East Stroudsburg, Pennsylvania.

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Mr. J. R. Harvey, for permission to serve at the same time as a director of The Athens National Bank, Athens, Ohio, and as a director of the Citizens Bank, Albany, Ohio.

Mr. L. G. Worstell, for permission to serve at the same time as a director and officer of The Athens National Bank, Athens, Ohio, and as a director of The Security Savings Bank Company, Athens, Ohio.

Mr. S. B. Philson, for permission to serve at the same time as a director and officer of The Citizens National Bank of Meyersdale, Meyersdale, Pennsylvania, and as a director and officer of The Philson National Bank of Berlin, Berlin, Pennsylvania.

Mr. Christ. C. Walthour, for permission to serve at the same time as a director of the First National Bank in Greensburg, Greensburg, Pennsylvania, and as a director and officer of The Manor National Bank, Manor, Pennsylvania.

Mr. J. A. Sanderson, for permission to serve at the same time as a director and officer of the Daly Bank and Trust Company of Anaconda, Anaconda, Montana, and as a director and officer of The First National Bank of Dillon, Dillon, Montana.

Mrs. Clara Driscoll Sevier, for permission to serve at the same time as a director and officer of The Corpus Christi Bank & Trust Company, Corpus Christi, Texas, and as a director of The Corpus Christi National Bank, Corpus Christi, Texas.

Mr. H. H. Sevier, for permission to serve at the same time as a director and officer of The Corpus Christi Bank & Trust Company, Corpus Christi, Texas, and as a director of The Corpus Christi National Bank, Corpus Christi, Texas.

Mr. E. B. MacNaughton, for permission to serve at the same time as a director and officer of The First National Bank of Portland, Portland, Oregon, and as a director and officer of the Pacific Coast Joint Stock Land Bank, Portland, Oregon.

Mr. C. F. Wente, for permission to serve at the same time as a director of The First National Bank of Portland, Portland, Oregon, as a director and officer of the First National Bank in Reno, Reno, Nevada, and as a director and officer of the California Joint Stock Land Bank of San Francisco, San Francisco, California.

Mr. C. E. Utt, for permission to serve at the same time as a director and officer of The First National Bank of Tustin,

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Tustin, California, and as a director of The Commercial National Bank of Santa Ana, Santa Ana, 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. 1.</u> The Liberty National Bank in Ellsworth, Ellsworth, Maine	135	135
<u>District No. 3.</u> The Gratz National Bank, Gratz, Pennsylvania	45	45
<u>District No. 5.</u> The National Bank of Ansted, Ansted, West Virginia	36	36
<u>District No. 11.</u> Eastland National Bank, Eastland, Texas	36	36
	<u>Total</u>	<u>252</u>

<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 7.</u> Old State Bank of Fremont, Fremont, Michigan	24	
Drexel State Bank of Chicago, Chicago, Illinois	75	
Old Kent Bank, Grand Rapids, Michigan	60	159
	<u>Total</u>	<u>159</u>

Approved.

Thereupon the meeting adjourned.

Chester Morley  
Secretary.

Approved:

J. J. Thomas  
Vice Governor.