

A meeting of the Federal Reserve Board was held in Washington on Tuesday, November 27, 1934, at 4:30 p. m.

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

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

The Board acted upon the following matters:

Telegram to Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"Your telegram November 22. Federal Reserve Board approves for your bank, effective immediately, flat commitment rates on industrial advances direct to borrowers of not less than $1\frac{1}{2}\%$ nor more than $1\frac{1}{2}\%$ for periods of not more than three months, and not less than 1% nor more than 2% for periods of more than three months and not more than six months, it being understood that no such commitments are to be entered into for periods of more than six months."

Approved.

Letter dated November 26, 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:

"The Federal Reserve Board has received your letter of November 16, 1934, and, in accordance with the recommendation contained therein, approves the appointment of Mr. James R. Davie as examiner and Messrs. Clifford O. Corwin and George H. West as assistant examiners in the Federal Reserve Agent's Department of your bank. Please advise effective dates."

Approved.

Memorandum dated November 22, 1934, from the Committee on

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Salaries and Expenditures, submitting a letter dated November 16 from Mr. Sailer, Deputy Governor of the Federal Reserve Bank of New York, which requested approval of changes in the personnel classification plan of the bank to provide for the three new positions of "chief", "assistant chief", and "vault clerk" in the security custody department, security custody division, the discontinuance of the position of "supervisor" in the government bond & safekeeping department, safekeeping division, vault section, and the transfer of the cash custody division and records & reports division from the cash department to the cash custody department, with no changes in the positions or salaries. The memorandum stated that the committee had reviewed the proposed changes and recommended that they be approved. The recommendation was approved by five members of the Board on November 26, 1934.

Approved.

Letter dated November 26, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"There is transmitted herewith for your consideration a letter dated November 7, 1934, from Assistant Federal Reserve Agent Gidney at New York, together with a copy of a letter dated October 27, 1934, from Mr. Ball, president of the 'Lincoln-Alliance Bank and Trust Company', Rochester, New York, requesting a modification of the condition prescribed in connection with the bank's application for permission to establish and operate a branch at Newark, New York.

"On October 16, 1934, you approved the application of the Lincoln-Alliance Bank and Trust Company for permission to establish and operate a branch at Newark, New York, provided the bank complied with the following condition as recommended

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"by the Board.

1. Prior to the establishment of the branch at Newark, New York, the Lincoln-Alliance Bank and Trust Company, Rochester, New York, shall charge off or otherwise eliminate, if it has not already done so, all depreciation in stocks, defaulted bonds, and securities other than those in the four highest grades, as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities.'

"According to advice received from the office of the Federal Reserve Agent at New York, the branch at Newark was established on October 15, 1934.

"On the basis of the information submitted by President Ball, it appears that on October 17, 1934, the bank's investment account showed depreciation of approximately \$1,051,088; that depreciation of \$44,492 on defaulted bonds was to be charged off immediately and an unallocated reserve of \$245,894 was to be set up to cover depreciation in bonds rated below the first four grades. The depreciation in stocks held by the bank aggregated \$761,963, for which no provision has been made and the bank is reluctant to make further substantial charge-offs at this time for fear that it might react harmfully against the bank in view of the substantial write-offs made heretofore, especially the charge-offs of approximately \$1,300,000 in June, 1934, when \$3,500,000 capital notes were issued and surplus was reduced \$1,000,000.

"The Assistant Federal Reserve Agent at New York has suggested that the requirement might be modified by allowing the trust company to write off depreciation in stocks not later than July 1, 1935, rather than require the bank to make such write-offs immediately.

"The Board is of the opinion that estimated losses in loans and other assets and depreciation in stocks, defaulted bonds, and securities other than those in the four highest grades should be charged off or otherwise eliminated, and, in accordance with such policy, feels that the Lincoln-Alliance Bank and Trust Company should charge off all depreciation in stocks and lower grade securities or establish a valuation reserve therefor, which reserve would be deducted from the asset account in all published statements. In the circumstances, however, it is believed that the bank might be given until December 31, 1934, within which to make the eliminations, thus permitting the bank, if it so desires, to make the adjustments in connection with the closing of its books for the period.

"It is recommended, therefore, that the condition described above be modified and that you grant your approval of the establishment and operation of the branch on the condition that the eliminations required under the previous condition be

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"effected not later than December 31, 1934.

"The attached file also includes copies of the original and supplemental memoranda prepared by the Board's Division of Examinations and the report of examination by the State Banking Department as of March 9, 1934. It will be appreciated if you will return this file when it has served your purposes and advise the Board as to your position in the matter."

Approved.

Letter dated November 26, 1934, approved by six 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 the report of examination of April 9, 1934, of 'The State Trust Company', Plainfield, New Jersey, the supplemental information submitted in connection therewith, particularly Mr. Dillistin's letter of November 9, 1934, advising of the sale on November 8, 1934, of \$200,000 preferred stock to the Reconstruction Finance Corporation and \$25,000 new common stock to local interests.

"It has been noted from the copy of a letter dated July 18, 1934, addressed by Mr. Dillistin to the vice president and treasurer of the trust company that Mr. Dillistin had inferred that the depreciation aggregating \$127,475 in the trust company's investment in the First National Bank of Plainfield and the Plainfield Title and Mortgage Guaranty Company would be charged out after the infusion of new capital funds. It will be appreciated if you will forward information as to the action taken by the trust company to eliminate the depreciation referred to.

"In connection with the investment in the stock of the First National Bank of Plainfield, it appears that of the 4,952 shares held on date of examination, 4,000 shares were acquired in 1932 at the time of the reorganization of the national bank, the purchase apparently having been made to prevent its suspension and to obviate the attendant difficulties which would arise therefrom. The remaining 952 shares are reported by the examiner as apparently having been acquired as the result of bad loans. It has been noted that your examiner reports that an examination of the national bank made at the same time as that of The State Trust Company indicates that the stock in the national bank has no value. Since the conditions under which The State Trust Company was admitted to membership in the System provide that no stock may be purchased in any bank or trust company without the permission of the Board and since it does not appear that the Board's permission was given for

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"the purchase of the 4,000 shares of the First National Bank, it will be appreciated if you will advise the Board what action, if any, should be taken in the matter. Please, also, advise the Board what steps the trust company has taken or plans to take to dispose of the 4,000 shares of stock so acquired, and the 952 shares that have been acquired in the manner previously mentioned.

"It has been observed that the Plainfield Realty Associates has not been reported as an affiliate of The State Trust Company as counsel for the trust company had rendered an opinion that the realty company is not an affiliate within the meaning of the Banking Act of 1933. It is reported, however, that four of the five directors of the realty company are directors of the trust company, thus making the realty company an affiliate under the definition laid down in Section 2, paragraph b, subparagraph 3, which reads as follows:

'Except where otherwise specifically provided, the term "affiliate" shall include any corporation, business trust, association, or other similar organization - of which a majority of its directors, trustees, or other persons exercising similar functions are directors of any one member bank.'

If the company is an affiliate of the member bank, its report as such should be submitted in connection with the recent call report as of October 17, 1934, and should be published if the laws of the State of New Jersey so require. Please advise the Board as to the circumstances in this connection and as to the action taken by the bank to comply with the provisions of law regarding the submission and publication of reports of affiliates.

"It has been noted that the trust company has issued mortgage participation certificates, not guaranteed as to principal and/or interest, amounting to \$540,209, in mortgage loans held by it and that a number of these participation certificates have been sold to trust accounts. As you know, the Board feels that it is contrary to sound banking practice for a banking institution to engage in the business of issuing or selling, either with or without recourse (through affiliated corporations or otherwise), notes, bonds, mortgages, certificates, or other evidences of indebtedness representing real estate loans or participations therein.

"If you have not already done so, the Board would be pleased to have you acquaint the trust company with its views in respect to the sale of real estate loans and participations therein, calling specific attention to condition numbered 12 of the revised regular conditions under which State banks are now admitted to membership in the System.

"The sale of investments by a banking institution to its trust accounts constitutes self dealing which violates the

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"fundamental principles of trusteeship and in so doing it may incur heavy liabilities. 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.'

Approved.

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

"Receipt is acknowledged of Mr. Clark's letters of October 15 and October 20, 1934, and inclosures, with regard to the examination of the Blakely Exchange Bank, Blakely, Georgia, a private bank, as of September 25, 1934, made by one of the examiners for the Federal Reserve Bank of Atlanta under the provisions of section 21 of the Banking Act of 1933.

"It has been noted that the examiner has called attention to the fact that the Blakely Exchange Bank may have violated the State law through the use of the word 'Blakely', the name of the town in which it is located, as a part of its title. It has been noted further that the Superintendent of Banks of the State of Georgia has advised your office that according to his interpretation of the law no violation has thus been committed, since the bank has prominently exhibited to the public a notice containing the words 'Private Bank -- Not Incorporated'. In this connection, however, Mr. Clark has forwarded a copy of an opinion rendered under date of October 17, 1934, by an Assistant Attorney General of that State, which appears to be at variance with the advice obtained from the Superintendent of Banks. In the circumstances, it is understood that you feel that you have taken such steps as appear desirable to obtain corrective action in this matter, in accordance with the intention of the Board's letter of October 19, 1934 (X-8086), and it will be appreciated if you will advise the Board as to the final disposition made of the matter by the State authorities."

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Approved, together with two similar letters to Mr. Newton with regard to the examination of the Metter Banking Company, Metter, Georgia, as of August 31, 1934, and to the examination of the Fort Gaines Banking Company, Fort Gaines, Georgia, as of September 24, 1934.

Letter dated November 26, 1934, approved by five members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter dated October 4, 1934, the Board's letter to you dated October 30, 1934, and your letter dated November 5, 1934, with regard to the question whether the Pioneer Finance Corporation, Louisville, Kentucky, is an affiliate of the 'Liberty Bank and Trust Company', Louisville, Kentucky, within the meaning of section 2(b) of the Banking Act of 1933, and particularly within subsection (2) of said section.

"From the information contained in your letters, it appears that 79 shareholders who own 7,157 of the 10,000 outstanding shares of the finance corporation also own 20,703 of the 100,000 shares of the common capital stock of the bank. It is also understood that the 20,703 shares owned by the 79 shareholders are more than 50% of the shares of common stock (33,740) voted at the last election of directors of the bank, but are less than 50% of the total number of shares voted at such election, in view of the fact that 99,335 shares of preferred stock of the bank were voted by the Reconstruction Finance Corporation through its proxy, Mr. Frank D. Rash, who at the time of such election was manager of the Louisville agency of the Reconstruction Finance Corporation. You state that Mr. Rash is not one of the 79 shareholders who control the Pioneer Finance Corporation, and that the 79 shareholders in question did not control the manner in which the shares owned by the Reconstruction Finance Corporation were voted, and do not now control such shares.

"In view of the above facts, it appears that the 79 shareholders who control the Pioneer Finance Corporation do not own or control either a majority of the shares of the bank or more than 50 per centum of the number of shares voted for the election of directors of such bank at the preceding election. Accordingly, on the basis of the facts stated above, the Federal Reserve Board agrees with your opinion, and the opinion of your counsel, that the Pioneer Finance Corporation is not an affiliate of the Liberty Bank & Trust Company."

Approved.

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Letter dated November 26, 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:

"Reference is made to your letter of November 19, 1934, transmitting the request of 'The Commercial Bank', Grand Island, Nebraska, for permission to invest approximately \$15,000 in making improvements in its banking quarters.

"In view of your recommendation and the fact that the investment of such an amount does not appear to be unduly large or improper or otherwise violate the spirit or purpose of condition numbered eight prescribed in connection with the bank's application for membership, the Board interposes no objection to such investment and it is requested that you advise the bank accordingly.

"The Board understands that the bank will make adequate depreciation in its banking house on the basis of the increased investment."

Approved.

Letter dated November 26, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Rye National Bank', Rye, New York, from \$250,000 to \$100,000, pursuant to a plan which provides that the released capital shall be used to reduce the existing deficit in the bank's undivided profits account, all as set forth in your memorandum of November 21, 1934.

"In considering the plan under which the reduction in common capital is to be effected, it has been noted that there will remain in the bank a substantial deficit in the undivided profits account which impairs the bank's common capital stock. It is assumed, however, that you have this condition in mind and that whenever it is feasible to do so you will require such further corrections as may be practicable."

Approved.

Letter dated November 26, 1934, approved by five members of

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

"Receipt is acknowledged of your memorandum of November 15, 1934, with reference to the proposed reduction in the common capital stock of 'The First National Bank of Wamego', Wamego, Kansas, from \$75,000 to \$25,000, and the sale of \$25,000 of Class 'A' preferred stock to the Reconstruction Finance Corporation, and \$25,000 of Class 'B' preferred stock to local interests, which was approved by the Board on July 3, 1934.

"You now advise that the original plan of recapitalization has been amended to provide for the sale of \$20,000 of Class 'B' preferred stock instead of \$25,000 as formerly contemplated.

"In accordance with your recommendation, the Board amends its previous approval to provide for the sale of \$20,000 of Class 'B' preferred stock as set forth in your memorandum of November 15, 1934, with the understanding that the other provisions of the original plan remain unchanged."

Approved.

Two telegrams to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has given consideration to the applications of the "Consolidated Securities Company" and the "Anglo National Corporation", both of San Francisco, California, for voting permits under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organizations to vote the stock which they own or control in "The Northern California National Bank of Redding", Redding, California, and has authorized the issuance of limited permits to the applicants for the following purposes:

"At any time prior to December 31, 1934, to do all things necessary to authorize the sale of the assets of 'The Northern California National Bank of Redding', Redding, California, to 'The Anglo California National Bank of San Francisco', San

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"Francisco, California, and to place The Northern California National Bank of Redding in voluntary liquidation and to take all action necessary to effect such liquidation, all in conformity with a plan which shall have been approved by the Comptroller of the Currency and the Federal Reserve Agent at the Federal Reserve Bank of San Francisco."

The telegrams also authorized the assistant Federal reserve agent to have prepared by counsel for the Federal reserve bank, and to issue to the Consolidated Securities Company and the Anglo National Corporation, limited voting permits in accordance with the telegrams.

Approved.

Letter dated November 26, 1934, approved by five members of the Board, to Governor Young of the Federal Reserve Bank of Boston, reading as follows:

"Receipt is acknowledged of your letter of November 15, 1934, requesting advice as to whether the participation by the Federal Reserve Bank of Boston in advances made by the Federal Reserve Bank of New York to the National Bank of Belgium, secured by gold earmarked by the National Bank of Belgium for shipment to the Federal Reserve Bank of New York, has the approval of the Federal Reserve Board.

"As stated in your letter, the Federal Reserve Board has approved advances by the Federal Reserve Bank of New York to the National Bank of Belgium, on the security of earmarked gold, in the amount of \$25,000,000 outstanding at any one time, and the Board's action in this connection contemplated that participations would be offered by the Federal Reserve Bank of New York to the other Federal reserve banks in the usual course. Therefore such participations have the Board's approval."

Approved.

Letter dated November 26, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

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"Reference is made to the letter dated October 30, 1934, from Mr. Diggs, Executive Assistant to the Comptroller of the Currency, to Mr. Thomas, Vice Governor of the Board, transmitting a copy of the letter which has gone out from your office to all the banks which the records of your office show have two banking institutions doing business within the same room, and suggesting that the Board, and particularly the Boston district, lend moral support in correcting such practice.

"The Federal Reserve Board believes that, with some possible exceptions, it is not desirable to have the quarters of a bank shared by another institution, particularly an institution which receives deposits. For some time, in connection with applications for membership of banks whose quarters are shared by building and loan associations or other organizations, the Board has prescribed a condition of membership requiring the removal of the building and loan association or other organization whose activities might embarrass the bank from the banking quarters of the bank applying for membership. An exception, however, has been made in cases where an affiliated member bank shares quarters of the applicant bank.

"In addition to the consideration given to the question involved in connection with banks applying for membership, the Board has given consideration to the situation of banks within the System whose quarters are shared by other organizations, and on August 15, 1934, sent a circular letter to the Federal Reserve Agents requesting information in this respect. A copy of the letter is attached for your information. The replies received indicate a general agreement with the principle that other organizations, with some few exceptions, should not occupy space in the banking quarters of a member bank or in quarters easily accessible therefrom.

"Copies of the Deputy Comptroller's letter of October 27, 1934, to the Peoples National Bank, Laconia, New Hampshire (with the name of the bank deleted) have been forwarded to all of the Federal Reserve Agents and a copy of the letter of transmittal (X-9031) is inclosed."

Approved.

Letter dated November 26, 1934, approved by five members of the Board, to Mr. M. A. Arnold, President of the First National Bank of Seattle, Washington, reading as follows:

"This refers to your letter of August 21, 1934, addressed to the Board's General Counsel, with regard to the interpretation of the ruling published on page 394 of the Federal Reserve

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"Bulletin for June, 1934, as to the absorption of exchange or collection charges by member banks under the provisions of section 19 of the Federal Reserve Act. You state that the Seattle clearing house banks are at present employing a uniform analysis of account formula which includes exchange charges and other out-of-pocket expenses and you request a ruling on the question whether the waiving of any exchange charges or other out-of-pocket expenses would be in violation of the law. It is understood that you wish to be informed whether any such exchange charges or other out-of-pocket expenses may lawfully be included in an analysis of an account which also includes a credit allowed the customer for interest or for the reasonable value of the account to the bank. In this connection, you also ask whether it would be permissible for the clearing house rules to be amended to provide for waiving of out-of-pocket charges for a nominal sum for any one customer without regard for the amount of his balance, in order to eliminate the annoyance of inconsequential charges against an account.

"Replying to your first question you are advised that the waiving of any exchange charges or other out-of-pocket expenses and the inclusion of such charges or expenses by a member bank in an analysis of an account which also includes a credit allowed the customer for interest or for the reasonable value of the account to the bank, would involve a payment of interest to the extent that such credit offsets such charges waived and absorbed by the bank, and would, accordingly, be in violation of the law if the deposit is payable on demand, except as indicated below.

"The Federal Reserve Board has recently had occasion to consider whether member banks of the Federal Reserve System may lawfully operate in accordance with the provisions of a clearing house rule reading as follows:

'No bank shall make a regular practice of absorbing for any customer all exchange or collection charges or other out-of-pocket expenses incurred on behalf of such customer; but, in exceptional circumstances, when it would create friction or misunderstanding to charge a customer for isolated items of trivial amounts, the banks may absorb such individual items, including isolated exchange and collection charges and charges for telephone calls, telegrams and similar items, provided that the banks act in good faith and do not utilize the absorption of such items as a basis for soliciting accounts or attempting to obtain an advantage over competitors.'

"Where the amount of such items absorbed does not vary with or bear a substantially direct relation to the amount of the customer's balance, the absorption of such items can not be considered an indirect payment of interest within the meaning of section 19 of the Federal Reserve Act, unless such items are

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"included in an analysis of accounts which involves their being offset in whole or in part by an analysis credit allowed to the customer for interest or the earning value of the account. Even where the bank analyzes accounts in this manner, it is believed that the absorption of isolated items of the character described above in trivial amounts may be disregarded in accordance with the rule that the law takes no notice of inconsequential matters. The Board, therefore, sees no objection to the adoption of a rule substantially in accordance with that quoted above.

"Your letter suggests that a member bank be permitted to absorb such charges in amounts up to \$2.00 per month for any one customer in order to eliminate the annoyance of inconsequential charges against an account. While the Board does not feel that it would be advisable to prescribe any fixed amount of charges which might be absorbed under the above-quoted rule, it is believed that such a rule will afford a satisfactory basis for treatment of exchange charges and other out-of-pocket expenses by member banks which may see fit to operate under a rule of this kind."

Approved.

In connection with the above, consideration was given to a memorandum dated November 6, 1934, from Mr. Vest, Assistant Counsel, stating that the adoption by the Board of the position taken in the above letter will constitute an important addition to the ruling published in the June, 1934, Federal Reserve Bulletin on the subject and that, accordingly, it is recommended that a further ruling relating to the matter, in the form attached to the memorandum, be published in the next issue of the Bulletin. The recommendation was approved by five members of the Board on November 26, 1934.

Approved.

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

"There are inclosed the originals and copies of Clayton

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"Act permits granted to Messrs. Peter Benninghofen, Harry E. Hughes, J. M. Beeler, Don W. Fitton, H. B. Zornow, W. N. Andrews, E. M. Ruder, and Paul Benninghofen, all of Hamilton, Ohio, to serve at the same time as directors and/or officers of The First National Bank and Trust Company of Hamilton and The Hamilton Dime Savings Bank Company, both of Hamilton, Ohio, for transmittal by you to the applicants and the two banks and copies for your files.

"In considering these applications it was noted that both banks have identical stockholders and that, by an agreement to which reference is made on the stock certificates of the banks, the stock of either bank could not be transferred without transfer of stock of the other bank, which agreement is apparently in violation of Section 5139 of the United States Revised Statutes. In a letter to the Board dated October 6, 1934, Mr. Fletcher states however, that the board of directors of the national bank on September 6, 1934, passed a resolution terminating and cancelling the agreement and directing the officers, or any one of them of each bank, to call in the stock of both corporations and cancel the reference to said agreement contained on the stock certificates. It is not clear that the board of directors of the national bank has authority to bind the stockholders by such action and before delivering the Clayton Act permits to the applicants and copies to the banks involved, you are requested to ascertain that proper and adequate action has been taken to effect a compliance with the statute to which reference has been made.

"In the further consideration of these applications it was noted from recent reports of examinations that both banks were in unsatisfactory condition (although the condition of the national bank had been improved subsequently by the strengthening of its capital structure), that the condition and management of the State bank were especially criticized by the examiner for the Federal Deposit Insurance Corporation and that certain of the directors had been making undue use of the credit facilities of the national bank. It was noted also that both banks have identical managements and that Assistant Federal Reserve Agent Fletcher, in his letter of September 27, 1934 transmitting these applications to the Board, stated that your office is cognizant of the unsatisfactory conditions existing in these banks and is cooperating with the national authorities and the Superintendent of Banks of the State of Ohio in an effort to obtain a material strengthening of the management and a correction of the existing condition. He stated further that the banking situation in Hamilton has been most unsatisfactory and that the recommendation of your office that limited permits be granted to certain of the applicants was concurred in by District Chief National Bank Examiner Leyburn, by

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"Governor Fancher and yourself.

"The Board feels that the general attitude of Congress as evidenced by the provisions of the Clayton Act and other legislation is not favorable to interlocking directorates and that in the public mind the grant by the Board of the privilege of serving two or more institutions is in the nature of a stamp of approval upon the individual upon whom it is conferred. Therefore, it is felt that it is incumbent upon the Board before it grants applications for such permission to investigate carefully the surrounding circumstances in order that it may be satisfied that those to whom the privilege of serving more than one institution is accorded are likely to promote better and safer banking management which in time will result in better banking conditions and thus better serve the public interest. In this connection, it may be added that the provision in the Banking Act of 1933 relating to removal of directors for violations of law and for the continuance of unsafe or unsound practices seems clear evidence of the intent of Congress with respect to the qualifications and responsibilities of directors.

"The Board is not unaware that there has been much unsettlement in the banking world in the course of recent years and naturally is not desirous of adding unnecessarily to this condition. It feels, however, very strongly that one of the greatest contributions to economic and financial stability in this country will come only through general improvement in banking management. Therefore it is felt that there should be no hesitation by reason of undue solicitude for the individual applicant to proceed with the solution of this problem.

"In view of all the circumstances involved in these applications and more particularly in order to avoid any unnecessary misunderstanding and unfavorable reaction in the city of Hamilton, the Board has granted these permits, to continue in effect, however, only to the close of December 31, 1934. When the permits are sent to the applicants it is suggested that you call their attention to the limited status of their permits and advise them that the Board will give consideration to new applications filed in accordance with the Board's Regulation L, provided such applications are accompanied by full information with respect to any subsequent improvement in the condition and management of the banks and as to the nature and extent of the use which has been made of the credit facilities of the banks by the respective applicants and that a satisfactory showing is made that the services of such applicants would not be incompatible with the public interest.

"Please keep the Board informed of the action taken in these matters."

Approved.

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The Clayton Act permits referred to in the above letter were as follows:

Mr. Peter Benninghofen, for permission to serve at the same time as a director and officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending at the close of December 31, 1934.

Mr. Harry E. Hughes, for permission to serve at the same time as a director of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending at the close of December 31, 1934.

Mr. J. M. Beeler, for permission to serve at the same time as a director and officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director and officer of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending at the close of December 31, 1934.

Mr. Don W. Fitton, for permission to serve at the same time as a director and officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director and officer of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending at the close of December 31, 1934.

Mr. H. B. Zornow, for permission to serve at the same time as an officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as an officer of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending at the close of December 31, 1934.

Mr. W. N. Andrews, for permission to serve at the same time as a director of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending at the close of December 31, 1934.

Mr. E. M. Ruder, for permission to serve at the same time as a director and officer of The First National Bank and Trust Company of Hamilton, Hamilton, Ohio, and as a director and officer of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending at the close of December 31, 1934.

Mr. Paul Benninghofen, for permission to serve at the same time as a director of The First National Bank and Trust Company of

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Hamilton, Hamilton, Ohio, and as a director of The Hamilton Dime Savings Bank Company, Hamilton, Ohio, for the period ending at the close of December 31, 1934.

Letter dated November 26, 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. David A. Crawford, for permission to serve at the same time as a director of the Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, as a director of the Harris Trust and Savings Bank, Chicago, Illinois, and as a director of the Pullman Trust and Savings Bank, Chicago, Illinois, for the period ending January 9, 1935.

Approved, together with a letter, also dated November 26, 1934, and approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Careful consideration has been given to your letter of October 18, 1934, and the inclosed copy of a letter from Mr. David A. Crawford regarding his application under the Clayton Act for a permit to serve at the same time as director of Continental Illinois National Bank and Trust Company of Chicago, of Harris Trust and Savings Bank and of Pullman Trust and Savings Bank, all of Chicago, Illinois.

"In view of the circumstances referred to in your letter, the Board has decided to issue a permit to Mr. Crawford for the period ending January 9, 1935. It is assumed that at that time Mr. Crawford can bring his relationships into conformity with the provisions of the Clayton Act without endangering the interests of the institutions involved or the banking situation in the community.

"A copy of the permit is inclosed for your files."

Letter dated November 26, 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:

"There are inclosed the original and copies of a permit issued under the provisions of the Clayton Act to Mr. Thornton Cooke, Kansas City, Missouri, to serve at the same time as

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"director and officer of The Columbia National Bank of Kansas City, Kansas City, Missouri, and as director of Tampa State Bank, Tampa, Kansas, for the period ending at the close of December 31, 1935.

"It is noted that in reply to question 12 on application Form 94 Mr. Cooke states that he is also serving as chairman of the executive committee of the Columbia Investment Syndicate, the business of which is reported to be investments.

"While the Board does not have detailed information regarding the character of the business of Columbia Investment Syndicate, it appears possible that the provisions of Section 32 of the Banking Act of 1933 are applicable in connection with his service to such corporation and the member bank involved. You are accordingly requested to withhold delivery of the Clayton Act permit until you are satisfied that Section 32 does not apply to the relationship above described, in which case you are authorized to deliver the permit to the applicant at the same time transmitting copies thereof to the banks involved.

"If you find that the relationship above described comes within the provisions of Section 32, you are requested to advise Mr. Cooke of the requirements of that section and notify him that he may file an application for a permit covering such service. Of course, if upon consideration of the facts involved, with the advice of your counsel, you are unable to determine whether such service comes within the provisions of Section 32, the Board, upon receipt of full information, will be glad to rule upon the matter. In any event, delivery of the Clayton Act permit should not be made until it has been determined that the services of the applicant with the Columbia Investment Syndicate and the member bank do not come within the provisions of Section 32, or that his services with such institutions have been brought into conformity with the requirements of that section. Please advise the Board of your action in this matter.

"In considering the application of Mr. Cooke it was noted that he did not attend any of the eight meetings held by the directors of the Tampa bank during the past two years. The applicant stated that despite his lack of attendance at directors' meetings he confers with the president of the Tampa State Bank on the occasion of the latter's visits to Kansas City and that at other times he also furnishes advice and counsel by correspondence. It is noted that the applicant has had many years of banking experience, that he has been a director of the Kansas City bank for fourteen years and a director of the Tampa bank for over five years, which institution he organized in 1901 and served as its vice president for several years, and that he is well and favorably known in the community. The Board feels that when a person accepts the responsibility of the office of director of a bank he should attend a sufficient number of

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"directors' meetings to enable him not only to keep in personal contact with the bank and its problems, but also to participate in his capacity as a director in the determination at such meetings of the policies of its Board, and that, if he is not in a position to discharge his responsibility in this regard, he should not continue as a director.

"Realizing that, because of the high esteem in which Mr. Cooke is held in the respective communities, the immediate discontinuance of his service to one of the banks involved might be adverse to the best interests of the institutions involved, the Federal Reserve Board has issued a permit to Mr. Cooke for the period ending at the close of December 31, 1935. When transmitting the permit to the applicant, you are requested to call his attention to the opinion stated above and to the expiration of the permit on December 31, 1935. You are also requested to advise him that if he desires to serve the banks after that date the Board will be pleased to give consideration to a new application submitted in accordance with the provisions of Regulation L and accompanied by a statement of his intentions with respect to his attendance at the meetings of directors of the banks.

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

Approved.

Letter dated November 26, 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 for transmittal to the applicant; stating that, if the agent finds to his satisfaction that the provisions of section 8A of the Clayton Act are not applicable to the applicant's relationships with the Citizens Finance Company and The Southwest National Bank of Wichita, he is authorized to transmit the Clayton Act permit to the applicant; and requesting that the agent inform the Board of the action taken in the matter and as to the disposition of the permit:

Mr. H. A. Lawrence, for permission to serve at the same time as

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a director of The Morris Plan Company of Kansas, Wichita, Kansas, and as a director of The Southwest National Bank of Wichita, Wichita, Kansas.

Approved.

Letter dated November 26, 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 for transmittal to the applicant; stating that, in all the circumstances set forth in the letter, a permit has been granted, although the Board feels that loans of directors and officers should at all times be free from criticism and that when the permit is sent to the applicant it is suggested that the agent advise him of the Board's views in the matter; and suggesting that the agent endeavor, in cooperation with the appropriate supervisory authorities, to bring about an improvement in the criticized obligations of the applicant and his wife:

Mr. James R. McCloud, for permission to serve at the same time as a director and officer of The First National Bank of York, York, Nebraska, and as a director and officer of The First National Bank of Benedict, Benedict, Nebraska.

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 progress made by the applicant and his wife in curtailing or eliminating their indebtedness at The First National Bank of York, Nebraska.

Approved.

Letter dated November 26, 1934, approved by five members of

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

"There are inclosed the original and copies of a permit issued under the provisions of the Clayton Act to Mr. P. H. Meehan, Tampa, Kansas, to serve at the same time as director of The Columbia National Bank of Kansas City, Kansas City, Missouri, and as director and officer of Tampa State Bank, Tampa, Kansas, for the period ending at the close of December 31, 1935, for transmittal by you to Mr. Meehan and the two banks and a copy for your files.

"In considering the application of Mr. Meehan it was noted that he attended only two of the nineteen meetings held by the board of directors of The Columbia National Bank of Kansas City during the past two years. In granting the permit the Board took into consideration the fact that the applicant has been a director of the Tampa bank for thirty-three years and of the Kansas City bank for fourteen years and that he was reported to keep in touch with the affairs of the Kansas City bank by conferring with its officers during his visits to Kansas City about four or five times a year and that he is well and favorably known in the communities. However, the Board feels that when a person accepts the responsibility of the office of director of a bank he should attend a sufficient number of directors' meetings to enable him not only to keep in personal contact with the bank and its problems, but also to participate in his capacity as a director in the determination at such meetings of the policies of its Board, and that, if he is not in a position to discharge his responsibility in this regard, he should not continue as a director.

"Realizing that, because of the high esteem in which Mr. Meehan is held in the respective communities, the immediate discontinuance of his service to one of the banks involved might be adverse to the best interests of the institutions involved, the Federal Reserve Board has issued a permit to Mr. Meehan for the period ending at the close of December 31, 1935. When transmitting the permit to the applicant, you are requested to call his attention to the opinion stated above and to the expiration of the permit on December 31, 1935. You are also requested to advise him that if he desires to serve the banks after that date the Board will be pleased to give consideration to a new application submitted in accordance with the provisions of Regulation L and accompanied by a statement of his intentions with respect to his attendance at the meetings of directors of the banks.

"Please keep the Board informed of the action taken in

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"this matter."

Approved.

Letter dated November 26, 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 permits for transmittal to the applicants; suggesting that the agent advise the applicants that it is with the expectation that they will improve their attendance at directors' meetings that the permits have been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permits, he report fully as to the attendance of the applicants at directors' meetings:

Mr. Edgar C. Miller, for permission to serve at the same time as a director and officer of The Citizens National Bank of Anthony, Kansas, as a director of the State Bank of Bluff City, Bluff City, Kansas, and as a director of The South-west National Bank of Wichita, Wichita, Kansas.

Mr. Myron C. Miller, for permission to serve at the same time as a director of The Citizens National Bank of Anthony, Kansas, and as a director of The First National Bank of Attica, Attica, Kansas.

Approved.

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

"Reference is made to your letter of November 13, 1934, relative to the Clayton Act permit granted to Mr. Grover E. Totten, Denver, Colorado, to serve at the same time as director and officer of 'The Central Savings Bank and Trust Company', Denver, Colorado, and as director and officer of 'The First National Bank of Strasburg', Strasburg, Colorado.

"Mr. Totten's application for a permit was made in

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"anticipation of his election as a director of The Central Savings Bank and Trust Company of Denver, Colorado; and in its letter of October 3, 1934, to you, the Board authorized you to release the original and copies of the permit when you were definitely advised that he had been elected a director of that bank. From the information contained in your letter of November 13, 1934, it appears that as yet Mr. Totten has not been elected a director of The Central Savings Bank and Trust Company and that, due to certain changes in plans originally contemplated, he will, in all probability, not be elected a director of that institution until the annual meeting of the shareholders in January 1935. In view of these facts you state that you will hold his permit until such time as he has been elected a director of that bank or until you receive further advice in the matter.

"Inasmuch as Mr. Totten is now serving as an officer of The Central Savings Bank and Trust Company of Denver and as director and officer of The First National Bank of Strasburg, Colorado, for which services a permit is necessary and since apparently it is still contemplated that he will be elected a director of The Central Savings Bank and Trust Company, you are authorized to release the original and copies of the permit inclosed in the Board's letter of October 3, 1934, to the applicant and the banks involved unless there are reasons known to you making it unnecessary or inadvisable to release the permit at this time.

"Please advise the Board of your action in this matter and immediately following the annual meeting of the shareholders of The Central Savings Bank and Trust Company of Denver in January 1935 please also advise the Board whether Mr. Totten is serving as a director of that bank in order that the files in this case may be complete."

Approved.

Letter dated November 26, 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:

"There are inclosed the original and copies of a permit issued under the Clayton Act to Mr. F. E. Tyler, Kansas City, Missouri, to serve at the same time as director of The Columbia National Bank of Kansas City, Kansas City, Missouri, and as director of The First National Bank of Junction City, Junction City, Kansas, for the period ending at the close of December 31, 1935.

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"It is noted that in reply to question numbered 12 on application Form 94, Mr. Tyler states that he is also serving as president of The Tyler Corporation, Kansas City, Missouri. While the Board does not have detailed information regarding the character of the business of The Tyler Corporation, it appears possible that the provisions of section 32 of the Banking Act of 1933 are applicable in connection with his service on such corporation and the member banks involved. You are, accordingly, requested to withhold delivery of the Clayton Act permit until you are satisfied that section 32 does not apply to the relationship above described, in which case you are authorized to deliver the permit to the applicant at the same time transmitting copies thereof to the banks involved.

"If you find that the relationship above described comes within the provisions of section 32, you are requested to advise Mr. Tyler of the requirements of that section and notify him that he may file an application for a permit covering such service. Of course, if upon a consideration of the facts involved, with the advice of your counsel, you are unable to determine whether such service comes within the provisions of section 32, the Board, upon receipt of full information, will be glad to rule upon the matter. In any event, the delivery of the Clayton Act permit should not be made until it has been determined that the service of the applicant with The Tyler Corporation and the national banks does not come within the provisions of section 32, or that his service with such institutions has been brought into conformity with the requirements of that section. Please advise the Board of your action in this matter.

"In considering the application of Mr. Tyler it was noted that he had not attended any meetings of the directors of the Junction City Bank since he became a director upon the reorganization of that institution in August, 1933, that Mr. Tyler lives in Kansas City, Missouri, and is very active in the supervision of extensive cement and flour milling interests, that he advises he cannot make any definite promise relative to his attendance at directors' meetings of this bank but expects to continue his past practice of conferring from time to time with the officers of the bank and with a fellow director. In view of your statement that his services as a director of the Junction City bank should be of distinct benefit to it, that you believe that even though he may attend directors' meetings only infrequently he will keep in touch with the bank, and the fact that the bank was reorganized approximately a year ago, the Board has felt that it would be preferable in all the circumstances to grant a permit expiring December 31, 1935, to Mr. Tyler in order to avoid any unnecessary misunderstanding by the community, which might prove detrimental to the best interests of The First

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"National Bank of Junction City."

"The Board feels that when a person accepts the responsibility of the office of director of a bank he should attend a sufficient number of directors' meetings to enable him not only to keep in personal contact with the bank and its problems but also to participate in his capacity as a director in the determination at such meetings of the policies of its Board, and that, if he is not in a position to discharge his responsibility in this regard, he should not continue as a director. When transmitting the permit to the applicant, you are requested to call his attention to the opinion stated above and to the expiration of the permit on December 31, 1935. You are also requested to advise him that if he desires to serve the banks after that date the Board will be pleased to give consideration to a new application submitted in accordance with the provisions of Regulation L and accompanied by a statement of his intentions with respect to his attendance at the meetings of directors of the banks.

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

Approved.

Letter dated November 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 for transmittal to the applicant; stating that, before releasing the permit to the applicant, the agent is requested to satisfy himself that the applicant's relationships with the banks involved in the permit and nonbanking organizations served by him are in conformity with the provisions of section 8A of the Clayton Act; and suggesting that, if and when the permit is sent to the applicant, the agent advise him that it has been granted with the expectation that he will attend regularly directors' meetings:

Mr. John B. Wootten, for permission to serve at the same time as a director of The Oklahoma National Bank of Chickasha,

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Chickasha, Oklahoma, as a director of The First National Bank of Blanchard, Blanchard, Oklahoma, and as a director of The First National Bank of Lindsay, Lindsay, Oklahoma.

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 applicant's attendance at directors' meetings; and that the agent inform the Board of his action in the matters referred to in the letter and as to the disposition of the permit.

Approved.

Letters dated November 26, 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. R. R. Copsey, for permission to serve at the same time as a director and officer of The First National Bank of York, York, Nebraska, as a director of The First National Bank of Benedict, Benedict, Nebraska, and as a director of The First National Bank of Bradshaw, Bradshaw, Nebraska.

Mr. George H. Holdeman, for permission to serve at the same time as a director of The First National Bank of York, York, Nebraska, as a director of The First National Bank of Benedict, Benedict, Nebraska, and as a director and officer of The First National Bank of Bradshaw, Bradshaw, Nebraska.

Mr. P. O. Herold, for permission to serve at the same time as a director and officer of The Citizens National Bank of Anthony, Anthony, Kansas, as a director of the Citizens Bank, Wakita, Oklahoma, and as a director of The First National Bank of Attica, Attica, Kansas.

Mr. W. A. Miller, for permission to serve at the same time as a director and officer of The Citizens National Bank of Anthony, Anthony, Kansas, as a director and officer of the State Bank of Bluff City, Bluff City, Kansas, and as a director and officer of the Citizens Bank, Wakita, Oklahoma.

Mr. Clyde McGrew, for permission to serve at the same time as a director and officer of The Benton State Bank, Benton, Kansas,

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and as a director of The Southwest National Bank of Wichita,
Wichita, Kansas.

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. 2.</u>			
National Bank of West New York, West New York, New Jersey		102	102
<u>District No. 10.</u>			
The Security National Bank of Enid, Enid, Oklahoma		120	120
		<u>Total</u>	<u>222</u>

Approved.

Thereupon the meeting adjourned.

Walter Moriel
Secretary.

Approved:

W. Steeles
Governor.