

A meeting of the Federal Reserve Board was held in Washington on Saturday, December 22, 1934, at 11:30 a. 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:

Memorandum dated December 18, 1934, from Mr. Smead, Chief of the Division of Bank Operations, recommending the appointment of Miss Margaret M. Kroh as a comptometer operator in the division, with salary at the rate of \$1,320 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed a satisfactory physical examination. The recommendation was approved by three members of the Board on December 21, 1934.

Approved.

Memorandum dated December 18, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment, on a temporary basis, of Mrs. Mary Constance Seals as a clerk in the division, with salary at the rate of \$120 a month, effective as of the date upon which she enters upon the performance of her duties. The recommendation was approved by three members of the Board on December 21, 1934.

Approved.

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

12/22/34

-2-

"There is transmitted herewith for your consideration an application of 'The Marine Trust Company of Buffalo', Buffalo, New York, a member bank, for permission to establish a branch at Lackawanna, New York, after absorbing the 'Lackawanna National Bank', Lackawanna, New York. The Marine Trust Company of Buffalo and the Lackawanna National Bank are both controlled by the Marine Midland Corporation, Jersey City, New Jersey.

"Lackawanna has a population of 25,948 and adjoins Buffalo on the south. At the present time the city is served by the national bank and The American Bank, a State member bank with deposits of approximately \$650,000, which is located about one mile from the office of the national bank. It is proposed to merge the Lackawanna National Bank into The Marine Trust Company of Buffalo and continue the operation of the office as a branch.

"At the present time The Marine Trust Company of Buffalo is operating 32 branches, of which 31 are located within the city limits of Buffalo and one at Snyder, New York, the establishment of which was approved by you on October 2, 1934.

"The Superintendent of Banks and the banking board of the State of New York have approved the proposed merger and establishment of a branch at Lackawanna subject to the submission of the proper merger papers and application for branch. The Federal Reserve Agent at New York recommends approval of the application.

"It is recommended, therefore, that you approve the establishment and operation of a branch in Lackawanna by The Marine Trust Company of Buffalo on condition that:

The establishment and operation of a branch at Lackawanna, New York, by The Marine Trust Company of Buffalo shall be approved by the appropriate State authorities.

"The Federal Reserve Agent states that he has been advised by representatives of The Marine Trust Company of Buffalo that they propose to charge off or otherwise eliminate all losses in loans and depreciation in securities shown by the examiner for the New York State Banking Department in his report of examination of such bank as of September 28, 1934, and to make some provision through reserves for the assets classified as doubtful in such report. In view of this representation and the fact that appropriate corrections will be required in connection with the granting of a voting permit to the holding company affiliate, the Board has not recommended any correction in the condition of The Marine Trust Company of Buffalo in connection with this application to establish a branch.

12/22/34

-3-

"The report of examination of The Marine Trust Company of Buffalo as of September 28, 1934, is not yet available. However, the attached file contains a copy of a memorandum prepared by the Board's Division of Examinations, together with other pertinent data. It will be appreciated if you will return this file when it has served your purpose, and when you have advised the Board of your action on the application described above."

Approved.

Letter dated December 21, 1934, approved by two members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to the report of examination of the 'Maryland Trust Company', Baltimore, Maryland, as of September 10, 1934, prepared by State bank examiners, and the information submitted in connection therewith, particularly the copies of correspondence transmitted with Mr. Fry's letter of December 12, 1934.

"The report of examination as of September 10 reflects estimated losses of \$499,000, depreciation of \$397,000 in securities, and reserves for contingencies of \$522,000. In this connection it has been noted that estimated losses in loans as classified in the report of examination as of January 15, 1934, amounted to \$1,453,000, of which \$959,000 were charged off in connection with the capital readjustment last Spring, leaving estimated losses of \$494,000 in loans as compared with a reserve of \$487,000.

"It has been noted that Mr. Fry has taken up with the Bank Commissioner of Maryland the question of elimination of losses and depreciation through application of the reserves, and that on December 8, 1934, Mr. Heyward E. Boyce, president of the bank, informed the Bank Commissioner that the bank is constantly working on the loans classified as loss or doubtful and that losses will be charged to the reserve as possibilities in each case are exhausted. Mr. Boyce stated that in accordance with this policy a comparatively small amount would be charged off at the end of the year. It appears that the reply was not altogether satisfactory to the Bank Commissioner, who advised Mr. Fry on December 10 that he had discussed the letter with Mr. Zimmerman, vice president of the bank, who stated that the loans would be reviewed before the end of the year and that definite losses would be charged to the reserve for contingencies.

"As you know, the Board feels that estimated losses and depreciation listed for elimination have not been properly eliminated by the setting up of reserves which are included

12/22/34

-4-

"with the bank's capital accounts in its published statements, but that such reserves should be used either in making charge-offs or treated as valuation reserves and deducted from the assets against which allocated, thereby showing only the net amount of the assets in the published statements.

"It is suggested that you continue to use your influence to have the bank comply with the Board's policy and eliminate either through charge-off or by the use of valuation reserves as described above depreciation in lower grade securities and estimated losses in other assets."

Approved.

Letter to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, with regard to the steps which should be taken to correct the matters commented on in the report of examination of the "Fletcher Trust Company", Indianapolis, Indiana, as of July 30, 1934.

Approved.

Letter dated December 21, 1934, approved by two members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Receipt is acknowledged of your letter of December 15, 1934, requesting an interpretation of condition of membership numbered 7 prescribed in connection with the admission of 'The Louisville Trust Company', Louisville, Kentucky, to membership in the System, and which reads as follows:

7. Except with the permission of the Federal Reserve Board, such bank shall not purchase or acquire through any device whatever any stock of any other bank, trust company, or other corporation of any kind or character except in satisfaction or protection of debts previously contracted in good faith; and all stock acquired in satisfaction or protection of debts shall be disposed of within six months from the date on which it was acquired unless the time is extended by the Federal Reserve Board on the application

12/22/34

-5-

"of such bank for good cause shown.

"In this connection you refer to the following excerpt from the Board's letter dated February 19, 1934, advising the bank of the Board's approval of the application for membership:

'The report of examination as of October 6, 1933, indicates that the bank has a large investment in corporate stocks. In this connection, your attention is called to the fact that under the provisions of Section 9 of the Federal Reserve Act, as amended by Section 5 (c) of the Banking Act of 1933, approved June 16, 1933, State member banks may not legally purchase stock in other corporations after that date except in the limited classes of cases in which national banks may lawfully do so. In the circumstances, consideration should be given to the advisability of disposing of the stocks now held by the bank as soon as it is feasible to do so.'

"In view of the condition of membership and the excerpt referred to, you request advice as to whether the condition is applicable only to stocks acquired subsequent to the time the bank was admitted to membership or whether it is the desire of the Board that stocks acquired prior to that time be disposed of in accordance with the provisions of condition numbered 7.

"Condition of membership numbered 7 is applicable to stocks acquired subsequent to admission to membership and does not apply to stocks acquired in good faith prior to that time. The Board, however, does not feel that stocks are suitable investments for the funds of member banks and the purpose of the comment in the Board's letter of February 19, 1934, was to call to the attention of the bank applying for membership the legal restrictions regarding the purchase of stock and to suggest as a matter of sound banking policy that consideration be given to the advisability of disposing of the stocks then held by the bank, although such disposal was not required under the condition of membership."

Approved.

Letter dated December 21, 1934, approved by two members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

12/22/34

-6-

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Waterloo', Waterloo, New York, from \$100,000 to \$50,000, pursuant to a plan which provides that the released capital shall be used to eliminate unsatisfactory assets and that all estimated losses and depreciation in securities in the lower grades not eliminated by application of the released capital shall also be charged off, all as set forth in your memorandum of December 15, 1934.

"It is understood that the bank's capital has recently been increased through the sale of \$100,000 of preferred stock to the Reconstruction Finance Corporation and/or others and that the present plan does not provide for the sale of any additional preferred stock."

Approved.

Two telegrams to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, authorizing him, subject to the conditions prescribed in the telegrams, to issue limited voting permits to "The National Shawmut Bank of Boston" and the "Shawmut Association", both of Boston, Massachusetts, entitling such organizations to vote, for the purposes set forth in the telegrams, the stock which they own or control in the following banks:

- "The Merchants National Bank of Salem", Salem, Massachusetts.
- "The Winchester National Bank", Winchester, Massachusetts.
- "Needham National Bank", Needham, Massachusetts.
- "County Bank and Trust Company", Cambridge, Massachusetts.

The telegram authorizing the issuance of a limited permit to the "Shawmut Association" also stated that the Board feels that the Hingham Trust Company Security Fund, as described in the subscription agreement of June 30, 1932, constitutes a liability of the Hingham Trust Company against which could not be properly made the eliminations required of that bank as one of the conditions precedent to the

12/22/34

-7-

issuance of the limited voting permit authorized by the telegram; that, in the event The Merchants National Bank of Salem desires to reduce its capital stock, the Board will give consideration to a limited voting permit for that purpose when and if such capital stock reduction is approved by the Comptroller of the Currency; that the time specified in condition number eighteen of the conditions of membership of the County Bank and Trust Company, Cambridge, Massachusetts, within which the Shawmut Association and The National Shawmut Bank of Boston shall each obtain a general voting permit is extended to June 1, 1935; and that it is requested that the agent advise the applicants and the banks accordingly.

Approved.

Telegram dated December 21, 1934, approved by two members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to the "Associates of Morris County, Inc.", Morristown, New Jersey, entitling such organization to vote the stock which it owns or controls in the "First National Bank in Rockaway", Rockaway, New Jersey, for the purposes set forth in the telegram.

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to the "Hackensack Securities Company", Hackensack, New Jersey, entitling

12/22/34

-8-

such organization to vote, for the purposes set forth in the telegram, the stock which it owns or controls in the following banks:

- "Bank of Bogota", Bogota, New Jersey.
- "Fort Lee Trust Company", Fort Lee, New Jersey.
- "Ridgefield Park Trust Company", Ridgefield Park, New Jersey.
- "Westwood Trust Company", Westwood, New Jersey.

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to the "Montclair Trust Company", Montclair, New Jersey, entitling such organization to vote the stock which it owns or controls in "The First National Bank of Cedar Grove", Cedar Grove, New Jersey, for the purposes set forth in the telegram.

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to the "Rahway Trust Company", Rahway, New Jersey, entitling such organization to vote the stock which it owns or controls in "The Rahway National Bank", Rahway, New Jersey, for the purposes set forth in the telegram.

Approved.

Telegram to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting

12/22/34

-9-

permit to the "Monongahela Trust Company", Homestead, Pennsylvania, entitling such organization to vote the stock which it owns or controls in "The First National Bank of Homestead", Homestead, Pennsylvania, and "The Hays National Bank", Hays, Pennsylvania, for the purposes set forth in the telegram.

Approved.

Telegram to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to the "Swissvale Trust Company", Swissvale, Pennsylvania, entitling such organization to vote the stock which it owns or controls in "The First National Bank of Swissvale", Swissvale, Pennsylvania, for the purposes set forth in the telegram.

Approved.

Telegram to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to "The Diversified Holding Company", Galion, Ohio, entitling such organization to vote the stock which it owns or controls in the "First National Bank in Crestline", Crestline, Ohio, for the purposes set forth in the telegram.

Approved.

Telegram to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, authorizing him, subject to the

12/22/34

-10-

conditions prescribed in the telegram, to issue a limited voting permit to "The First and Merchants National Bank of Middletown", Middletown, Ohio, entitling such organization to vote the stock which it owns or controls in "The American Trust & Savings Bank of Middletown", Middletown, Ohio, for the purposes set forth in the telegram.

Approved.

Two telegrams dated December 21, 1934, approved by two members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, authorizing him, subject to the conditions prescribed in the respective telegrams, to issue limited voting permits to the "Citizens and Southern Holding Company" and "The Citizens and Southern National Bank", both of Savannah, Georgia, entitling such organizations to vote the stock which they own or control in "The La Grange National Bank", La Grange, Georgia, and the "Albany Exchange National Bank", Albany, Georgia, for the purposes set forth in the telegrams.

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to "Hamilton National Associates, Incorporated", Chattanooga, Tennessee, entitling such organization to vote, for the purposes set forth in the telegram, the stock which it owns or controls in the following banks:

"The Hamilton National Bank of Johnson City", Johnson City,
Tennessee.

"The Hamblen National Bank of Morristown", Morristown, Tennessee.

12/22/34

-11-

"The First National Bank of Lenoir City", Lenoir City,
Tennessee.

"The First National Bank of Loudon", Loudon, Tennessee.

"First National Bank in Harriman", Harriman, Tennessee.

"The First National Bank of Pikeville", Pikeville,
Tennessee.

"The First National Bank of South Pittsburg", South Pittsburg,
Tennessee.

The telegram also stated that, prior to the issuance of a permit entitling the applicant to vote on a proposal to reduce the capital stock of any of its subsidiary member banks, the details of the plan or plans for such reduction should be submitted to the Comptroller of the Currency and the proposed reduction should be approved by the Comptroller and by the Federal Reserve Board. The telegram also authorized the agent to amend the standard form of permit by adding after the name of the grantee the words "or its nominees".

Approved.

Two telegrams to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, authorizing him, subject to the conditions prescribed in the telegrams, to issue limited voting permits to "The First National Company of Birmingham" and "The First National Bank of Birmingham", both of Birmingham, Alabama, entitling such organizations to vote, for the purposes set forth in the telegrams, the stock which they own or control in the following banks:

"The Woodlawn-American National Bank of Birmingham",
Birmingham, Alabama.

"The Fairfield American National Bank", Fairfield, Alabama.

"The Leeds-American National Bank", Leeds, Alabama.

Approved.

12/22/34

-12-

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to the "Bank Shares Corporation", Minneapolis, Minnesota, entitling such organization to vote the stock which it owns or controls in "The Marquette National Bank of Minneapolis", Minneapolis, Minnesota, for the purposes set forth in the telegram.

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing him to issue a limited voting permit to the "Northwest Bancorporation", Minneapolis, Minnesota, entitling such organization to vote, for the purposes set forth in the telegram, the stock which it owns or controls in the following banks:

- "First National Bank and Trust Company of Aberdeen",
Aberdeen, South Dakota.
- "First National Bank in Britton", Britton, South Dakota.
- "The First National Bank of Groton", Groton, South Dakota.
- "The Farmers & Merchants National Bank in Milbank",
Milbank, South Dakota.
- "First National Bank in Mobridge", Mobridge, South Dakota.
- "The Redfield National Bank", Redfield, South Dakota.

Approved.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him, subject to the conditions prescribed in the telegram, to issue a limited voting permit to the "Corvallis First National Corporation", Corvallis, Oregon, entitling such organization to vote the stock which it owns or controls in the "First National Bank of Corvallis", Corvallis, Oregon, for the

12/22/34

-13-

purposes set forth in the telegram.

Approved.

Letter dated December 21, 1934; approved by two members of the Board, to Mr. Crane, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of December 11, 1934, enclosing a copy of your letter of the same date to the Undersecretary of the Treasury suggesting that your bank be authorized to publish monthly total short-term foreign assets and liabilities of banks and bankers in the second Federal Reserve district as reported to you on new forms prescribed by the Secretary of the Treasury.

"The Federal Reserve Board regards the publication of these figures as a constructive step likely to improve the public understanding of the international financial position of the United States which is one of the factors underlying Federal Reserve policy. While the publication of monthly figures would be satisfactory for this purpose, the Board sees no objection to releasing the figures weekly as they become available. Consideration is being given by the Board to the desirability of publishing combined figures for the twelve Federal Reserve Districts in the Federal Reserve Bulletin."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on December 12, 1934, and reading as follows:

"This refers to your letter of May 31, 1934, and other letters in regard to the question whether section 11(m) of the Federal Reserve Act limits the amount of capital and surplus of a State member bank which may be represented by loans secured by bonds of the United States Government.

"Among other things, section 11(m) authorizes the Federal Reserve Board to fix for each Federal reserve district

12/22/34

-14-

"the percentage of individual bank capital and surplus which may be represented by loans secured by 'stock or bond collateral' made by member banks within such district, and provides that 'no such loan shall be made by any such bank to any person in an amount in excess of 10 per centum of the unimpaired capital and surplus of such bank.'

"Under the provisions of Section 5200 of the United States Revised Statutes, the total obligations to any national bank of any person, in the form of notes secured by bonds or notes of the United States issued since April 24, 1917, are limited to 25 per centum of the amount of the unimpaired capital and surplus of the bank and it is understood that it is the position of the Comptroller of the Currency that the provisions of section 5200 with respect to obligations so secured are not repealed or affected in any way by the provisions of section 11(m) of the Federal Reserve Act. Section 5200 is applicable only to national banks, however, and does not affect State member banks.

"The language of section 11(m) on this question is clear and unambiguous and, inasmuch as there is nothing in the section which indicates an intent of Congress to give a restrictive or limited meaning to the term 'stock or bond collateral' as used therein, there appears to be no escape from the view that under the existing law a State member bank may not lawfully make a loan secured by bonds of the United States Government to any person in an amount in excess of 10 per centum of the unimpaired capital and surplus of the bank. However, the Federal Reserve Board feels that State member banks should be placed on a basis of equality in this respect with national banks and, accordingly, the Board will recommend to the next session of Congress an amendment to the law for this purpose."

Approved.

Letter dated December 21, 1934, approved by two members of the Board, to Mr. Anderson, Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of December 6, 1934, with which you inclosed a photostat copy of a pamphlet entitled 'Revised Condensed Rules of the Federal Reserve Board 1933' which has apparently been distributed by the First-Central Trust Company of Akron, Ohio, to some or all of its savings depositors.

12/22/34

-15-

"The title 'Revised Condensed Rules of the Federal Reserve Board 1933' is obviously inappropriate and many of the provisions contained in the pamphlet are not requirements contained either in the law or in the Federal Reserve Board's regulations with respect to savings deposits. It is requested that you communicate with the First-Central Trust Company calling attention to the title of the pamphlet and to the fact that it may cause misunderstanding or confusion among the bank's customers, and request that the title be eliminated or changed in some appropriate manner on pamphlets which may hereafter be issued by the bank."

Approved.

Letter to Mr. Zurlinden, Deputy Governor of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of December 3, 1934, addressed to Mr. Smead, Chief of the Board's Division of Bank Operations, and its inclosure, with regard to loans under section 13b of the Federal Reserve Act against the security of chattel mortgages in the State of Ohio.

"It appears that it is often to the advantage of the borrower that a loan under the provisions of section 13b of the Federal Reserve Act be disbursed in installments, as the amounts disbursed bear interest at the rate of 6% per annum and the amounts undisbursed for which the Federal reserve bank is committed carry a fee of 2% per annum. It is understood that under the law of the State of Ohio with regard to the recording of chattel mortgages, an affidavit must be made by or on behalf of the mortgagee stating the amount of the loan which has been disbursed and that the mortgage is regarded as validly recorded only with respect to the amount so stated. It is stated by your counsel that the disbursement referred to in the affidavit may be made either by payment of cash or by the establishment of an unconditional credit in favor of the borrower.

"Under the procedure which has heretofore been followed by the Federal reserve bank in connection with a loan under section 13b secured by a chattel mortgage in the State of Ohio, it is necessary to search the indices in the recorder's office and to file a copy of the chattel mortgage and an affidavit by the mortgagee setting forth the amount of the outstanding debt, not only at the time the initial installment is disbursed but also upon paying over to the borrower any subsequent installment on the loan.

12/22/34

-16-

"In order to eliminate this additional labor each time an installment is disbursed, it is proposed to give to the borrower, at the time of the closing of the loan, a cashier's check for the amount he then needs and to establish a credit in his favor on the books of the Federal reserve bank for the undisbursed balance. It is understood that it is the opinion of your counsel that under this procedure the chattel mortgage, at the time of the closing of the loan, may be validly recorded in the full amount of the loan including all subsequent installments. It is also the opinion of your counsel that such procedure is within the authority of the Federal reserve bank and in this connection he calls attention to the provision of section 4 of the Federal Reserve Act which authorizes a Federal reserve bank to exercise such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by the Federal Reserve Act.

"It is understood that the credit which would be established in favor of the borrower under the proposed procedure as above outlined would be unlike an ordinary deposit account in that the amount of the credit could not in any event be increased (except possibly through the making of a new loan) and would not be subject to withdrawal except through the issuance of cashier's checks from time to time by the Federal reserve bank in disbursing installments of the loan.

"Upon the basis of the information stated, it appears to the Board that the establishment of such credits in favor of borrowers is necessary in carrying out in an efficient and practical manner the purposes of section 13b of the Federal Reserve Act in connection with loans on the security of chattel mortgages in the State of Ohio; and you are advised that the Federal Reserve Board will offer no objection to the establishment of credits in favor of such borrowers in the circumstances and for the purpose described. Any such credit so established should be included by the Federal reserve bank on Form 34 opposite the item 'Other Deposits'."

Approved.

Letter to Governor Geery of the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your letter of November 28, 1934, with inclosures, in regard to the application by O. W. Potter, Greenough, Montana, for a loan under

12/22/34

-17-

"section 13b of the Federal Reserve Act to provide working capital for a dude ranch. The application was denied by your bank on the ground that the dude ranch should be classified as a 'hotel' and, consequently, could not be considered an 'industrial or commercial business' within the meaning of said section 13b.

"It appears that the position of your bank was based upon an opinion of your counsel that, in the absence of a ruling of the Board to the contrary, a hotel may not be classified as an 'industrial or commercial business' within the meaning of section 13b. Although in a narrow sense the term 'commercial' may be limited to the purchase and sale or the exchange of goods and commodities, in a broader sense it embraces many other phases of business activity and intercourse. Although not expressly so stated in the statute itself, the evident purpose of section 13b is to maintain and increase the employment of labor, and the Board believes that the words 'industrial or commercial business' should be given a liberal interpretation in order to carry out that purpose and make 'working capital' available to such businesses.

"Under a liberal rather than a narrow interpretation, the Board feels that the term 'commercial business' may have a broader significance than that suggested by your counsel and is sufficient to include the operation of a hotel as a business undertaking. Accordingly, it is the view of the Board that a hotel of the ordinary and usual type may properly be considered a commercial business within the meaning of section 13b and that, if the facts with respect to the operation of the dude ranch in question are such that it should be regarded for this purpose in the same category as a 'hotel', the Federal reserve bank may lawfully make a loan for the purpose of furnishing it with 'working capital', provided, of course, that such loan otherwise meets the applicable requirements of the Act.

"It is suggested therefore that further consideration be given to this case in the light of the views expressed above. If, upon such reconsideration by the Industrial Advisory Committee and by your bank, it is determined that the application should not properly be granted for any reason, it is suggested that you advise the applicant that the application has been reconsidered and state your reasons for declining to make the loan."

Approved.

12/22/34

-18-

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

"The Board has reconsidered the application of Mr. D. H. Kirwan, Lima, Ohio, for permission under the provisions of the Clayton Act to serve at the same time as director of 'The National Bank of Lima', Lima, Ohio, and 'The Farmers National Bank of Plain City', Plain City, Ohio, and upon the basis of the information before it, including that submitted with your letter of November 16, 1934, has granted a permit to the applicant for the period ending December 31, 1935. The original and copies of the permit are inclosed for transmittal by you to the applicant and the banks involved. There is also inclosed a copy for your files.

"In considering this application the Board noted that Mr. Kirwan has been unable to maintain his usual contact with the Plain City bank because of illness and that he expects to arrange his affairs so that he can attend meetings of the directors of the Plain City bank with reasonable regularity in the future. The Board's action in approving Mr. Kirwan's application has been based, in part, upon information obtained from the files of the Reconstruction Finance Corporation, and there is attached for your confidential information a copy of the supplemental memorandum prepared by the Board's Division of Examinations with respect to the application.

"When transmitting the permit to the applicant you are requested to call his attention to the expiration of the permit on December 31, 1935, and to advise him that the Board feels that a director should have a satisfactory record of discharging his duties and responsibilities by participating in the determination of the policies of a bank which he is serving, including attendance at directors' meetings. 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 Board's Regulation L, if accompanied by a statement of his intentions with respect to his attendance at directors' meetings."

Approved.

Letter dated December 21, 1934, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Re-

12/22/34

-19-

serve Bank of Richmond, reading as follows:

"The Board has reconsidered the application of Mr. H. B. Martin, Thompson Hotel Building, Elkins, West Virginia, for permission under the provisions of the Clayton Act to serve at the same time as director of 'Citizens National Bank of Elkins', Elkins, West Virginia, and as director of Bank of Adrian, Adrian, West Virginia, which was not approved as indicated in the Board's letters of June 13, and July 18, 1934, to you. Upon the basis of the information now before it, including that submitted from time to time by your office, and in accordance with the recommendation contained in your letter of December 12, 1934, the Board has approved the application. There are inclosed the original and copies of the permit granted to Mr. Martin for transmittal by you to the applicant and the banks involved. A copy is also inclosed for your files."

Approved.

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

Mr. E. W. Chase, for permission to serve at the same time as a director of the Oil City National Bank, Oil City, Pennsylvania, and as a director of the Citizens Banking Company, Oil City, Pennsylvania.

Mr. H. J. Crawford, for permission to serve at the same time as a director and officer of the Oil City National Bank, Oil City, Pennsylvania, as a director and officer of the Citizens Banking Company, Oil City, Pennsylvania, and as a director and officer of The First National Bank of Emlenton, Emlenton, Pennsylvania.

Mr. Walter R. Reitz, for permission to serve at the same time as a director and officer of the Oil City National Bank, Oil City, Pennsylvania, and as a director and officer of The Union National Bank of Sistersville, Sistersville, West Virginia.

Mr. W. B. Spann, for permission to serve at the same time as an officer of The Citizens and Southern National Bank, Savannah, Georgia, and as a director of the Citizens and Southern Bank of Thomaston, Thomaston, Georgia.

12/22/34

-20-

Mr. John E. Wallace, for permission to serve at the same time as an officer of The Citizens and Southern National Bank, Savannah, Georgia, as a director and officer of the Albany Exchange National Bank, Albany, Georgia, and as a director and officer of the Citizens and Southern Bank of Thomaston, Thomaston, Georgia.

Approved.

Thereupon the meeting adjourned.

Robert Merrill
Secretary.

Approved:

W. S. C. C. C.
Governor.