

A meeting of the Federal Reserve Board was held in Washington on Friday, February 1, 1935, at 3:30 p. m.

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

Mr. Morrill, Secretary.

Governor Eccles referred to a telegram received from Mr. Burgess, Secretary of the Federal Open Market Committee, under date of January 26, 1935, copies of which had been handed to the appointed members of the Board, stating that a telegram was being sent on that date to each member of the Federal Open Market Committee requesting advice of his approval or disapproval of the action taken by the executive committee of the Federal Open Market Committee at its meeting in Washington on January 25, 1935, in voting to request the members of the Federal Open Market Committee, subject to the approval of the Federal Reserve Board, to authorize the executive committee, pending a meeting of the full Committee in the near future, to make purchases or sales or shifts between maturities in the system account up to a total of \$250,000,000 in addition to the authorization to make shifts between maturities up to \$100,000,000 voted at the meeting of the Federal Open Market Committee held on December 17, 1934; it being understood that the additional authority is desired primarily to place the system in position to use its influence toward preventing any possible disturbances in the market pending a meeting of the full Committee. Governor Eccles stated that Mr. Burgess had sent a second telegram on January 28 advising that all of the members of the Federal Open Market Committee had approved the action of the executive committee, and requesting advice of the Board's action on the proposals referred to in the reso-

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lution of the executive committee.

During the ensuing discussion, Mr. Miller inquired as to the attitude of the Treasury concerning the authority requested by the executive committee and Governor Eccles read from the tentative draft of the minutes of the meeting of the executive committee held on January 25, the paragraphs which preceded the record of the action of the Committee in adopting its resolution.

At the conclusion of the discussion, the authorization of the executive committee of the Federal Open Market Committee, pending a meeting of the full committee on February 5, to make purchases or sales or shifts between maturities in the System account in accordance with the resolution adopted at the meeting of the executive committee on January 25, 1935, was approved and the Secretary was requested to advise the Chairman of the Federal Open Market Committee accordingly.

There was also presented the following telegram to Deputy Governor Crane of the Federal Reserve Bank of New York:

"Your telegram. Board approves action your directors in authorizing officers Federal Reserve Bank of New York to open and maintain account on books of bank in name of National Bank of Nicaragua and to carry out operations in this market for that bank along substantially same general lines and subject to substantially same terms and conditions as for other foreign central banks having accounts with you. It is noted that action your directors restricts relations to be established to opening of one-way account. Please forward to Board copy of your letter to Bank of Nicaragua setting forth terms and conditions upon which account with that institution will be opened and maintained, together with copy of bank's acceptance of such conditions. Board also approves action your directors in authorizing officers to make loan to National Bank of Nicaragua up to \$300,000 for not to exceed four months secured by gold bars valued at \$316,000 held under earmark by you for national bank; interest on such loan to be charged at your discount rate. Participation in loan and new account by other Federal reserve banks is approved and they are

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"being advised accordingly."

Approved, and the Secretary was requested to send the telegram without circulating it among the members of the Board for initial.

The Board then acted upon the following matters:

Memorandum dated January 30, 1935, approved by five members of the Board, from Mr. Morrill, Secretary, recommending approval of the employment of Mrs. Louise Thomason as a typist in the Secretary's office, 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.

Approved.

Telegram to Mr. Howard Kellogg, President, Spencer Kellogg & Sons, Inc., Buffalo, New York, reading as follows:

"Federal Reserve Board has appointed you director of Buffalo branch of Federal Reserve Bank of New York for unexpired portion of term ending December 31, 1937. Please wire acceptance collect."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Bloomingdale', Bloomingdale, New Jersey, from \$100,000 to \$50,000, pursuant to a plan which provides that the released capital shall be used in eliminating substandard assets, such eliminations to include all estimated losses and depreciation in lower grade securities, all as set forth in your supplemental memorandum of January 24, 1935.

"This approval supersedes the Board's approval dated



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"January 8, 1934, of a previous plan of capital reduction.

"In reviewing the report of examination as of September 6, 1934, it was noted that your examiner severely criticized the bank's management. The files indicate, however, that the need for strengthening the active management has been brought to the attention of the bank's directors by your office, and it is assumed that some corrective action will be taken as soon as it is feasible to do so."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The West Englewood National Bank', West Englewood, New Jersey, from \$50,000 to \$25,000, pursuant to a plan which provides that the released capital shall be used in eliminating unsatisfactory assets, such eliminations to include all depreciation in lower grade securities, all as set forth in your memorandum of January 19, 1935.

"It is noted that the bank's capital was increased on January 7, 1935, through the sale of \$75,000 of preferred stock to the Reconstruction Finance Corporation and others, and that the proposed plan of recapitalization does not contemplate a further increase in the bank's capital at the present time."

Approved.

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

"Receipt is acknowledged of your letter of January 25, 1935, with reference to the proposed reduction in common capital stock of the 'Albany Exchange National Bank', Albany, Georgia, which was approved by the Federal Reserve Board on December 18, 1934, pursuant to a plan which provided among other things for the sale of \$50,000 of preferred stock to the Reconstruction Finance Corporation and/or others.

"You now advise that the Reconstruction Finance Corporation has agreed to purchase only \$25,000 of preferred stock instead of \$50,000 as originally contemplated, and that in order not to delay the adjustment of capital, your office will

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"approve the proposed reduction of \$50,000 in common stock with an increase of only \$25,000 of preferred stock but will make every effort to induce the bank to issue \$25,000 of Class 'B' preferred stock to be sold locally.

"In accordance with your recommendation, the Board amends its previous approval to provide for the sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation, with the understanding that the other provisions of the plan as originally approved remain unchanged. The Board is in agreement, however, with the views of your office, and the Assistant Federal Reserve Agent at Atlanta, as stated in your letter, that the sale of additional capital stock locally is desirable."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Julesburg', Julesburg, Colorado, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be applied to the elimination of losses and other substandard assets, all as set forth in your memorandum of January 21, 1935."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Memphis', Memphis, Texas, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation, and that the released capital, together with \$10,000 of the bank's surplus account, shall be used to eliminate or reduce undesirable assets which are to remain the property of the bank, all as set forth in your letter of January 26, 1935."

Approved.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the

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Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to Mr. Clerk's letter dated November 2, 1934, with regard to the question whether Capital Company and California Lands, Inc., are affiliates of Bank of America National Trust and Savings Association within the meaning of section 23A of the Federal Reserve Act. Inclosed with Mr. Clerk's letter was a memorandum upon this question dated November 1, 1934, from Mr. Agnew to Mr. Clerk.

"It is understood that Transamerica Corporation owns all of the stock of Transamerica Bank Holding Company which in turn owns all of the stock of Bank of America National Trust and Savings Association. Transamerica Corporation also owns all the stock of Transamerica General Holding Company which in turn owns all the stock of Capital Company and California Lands, Inc.

"The term 'affiliate' as used in section 23A of the Federal Reserve Act is defined in section 2(b) of the Banking Act of 1933. It is understood from Mr. Agnew's memorandum that the only question involved is whether the two corporations are affiliates of the bank within the meaning of section 2(b)(2) of the Banking Act of 1933, which provides as follows:

"Sec. 2. As used in this Act and in any provision of law amended by this Act--

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"(b) Except where otherwise specifically provided, the term "affiliate" shall include any corporation, business trust, association, or other similar organization--

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"(2) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a member bank who own or control either a majority of the shares of such 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, or by trustees for the benefit of the shareholders of any such bank;

"In a telegram dated June 28, 1934, the Board stated that on the basis of the above facts it did not appear that either Capital Company or California Lands, Inc. was an affiliate of Bank of America National Trust and Savings Association. Mr. Agnew, however, states that he cannot escape the conclusion that the two corporations are affiliates of the bank, and has suggested that the question be resubmitted to the Federal Reserve Board for further consideration. After reconsideration



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"of this question and after a study of Mr. Agnew's memorandum, the Board is still of the opinion that the two corporations are not affiliates of the bank.

"It has been noted that on page 4 of Mr. Agnew's memorandum, the following statement is made: 'The only shareholder of the Bank of America N. T. & S. A. is Transamerica Corporation, and the strength of this statement is not altered by reason of the fact that Transamerica Bank Holding Company has been interposed between Transamerica Corporation and the bank'. The Federal Reserve Board is unable to agree with the correctness of the above statement. In the opinion of the Board, Transamerica Corporation is not a shareholder of Bank of America National Trust and Savings Association but is a shareholder of a shareholder of such bank. In view of this fact, control of the two corporations is not held by the 'shareholders' of a member bank who own or control either a majority of the shares of such 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.

"In his memorandum Mr. Agnew states that the construction adopted by the Board opens the door to ready evasion of the clear intent of the Act. If, in any case, a corporation were interposed between the shareholders of a member bank and such bank for the purpose of evading the law regarding member banks and their affiliates, the Federal Reserve Board might reach a different conclusion, and in some circumstances, might be justified in disregarding the intervening corporate entity. However, in the present case it appears that the relationship between the bank and the corporations has existed for some time and there is no indication that the relationship was created for the purpose of evading the provisions of section 23A or of any other applicable statute."

Approved.

Letters dated January 31, 1935, approved by five members of the Board, to applicants for permits under the Clayton Act advising of approval of their applications as follows:

Mr. A. E. Bowers, for permission to serve at the same time as a director of The First National Bank of Medford, Medford, Oklahoma, as a director and officer of the Caldwell State Bank, Caldwell, Kansas, and as a director of the First National Bank in Wichita, Wichita, Kansas, for the period ending January 14, 1936.

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Mr. H. K. Lindsley, for permission to serve at the same time as a director of the First National Bank in Wichita, Wichita, Kansas, as a director of The Chandler National Bank of Lyons, Lyons, Kansas, and as a director of the Chase State Bank, Chase, Kansas, for the period ending January 14, 1936.

Approved, together with a letter also dated January 31, 1935, and approved by five members of the Board, to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"There are inclosed for your files copies of the Clayton Act permits issued to Mr. A. E. Bowers and Mr. H. K. Lindsley. The permits have been issued so as to expire at the close of January 14, 1936, pursuant to the policy stated in the Board's letter of January 9, 1935 (X-9082).

"Mr. Bowers and Mr. Lindsley are both directors of The Wheeler Kelly Hagny Trust Company, Wichita, Kansas, and consideration has been given to the question whether section 32 of the Banking Act of 1933 is applicable to that trust company.

"On the basis of the available information, it appears that the trust company is not at this time engaged primarily in the business of purchasing, selling, or negotiating securities within the meaning of section 32, and that therefore the provisions of that section are not applicable to it.

"However, Mr. McClure stated in his letter of July 13, 1934 that the trust company was formerly engaged actively in originating and distributing so-called 'mortgage bond issues', and, although it appears to be transacting none of this business at this time, he thought it entirely probable that the trust company might in the future again engage actively in that business.

"The information which has been submitted is not sufficient to show definitely whether or not these mortgage bonds are 'securities' within the meaning of section 32 or whether they are merely ordinary mortgage notes of the kind referred to in the Board's letter of April 16, 1934 (X-7866). Therefore, although it is not necessary at this time to decide whether or not they are securities within the meaning of section 32, you may think it desirable to call the attention of Mr. Bowers and Mr. Lindsley to the fact that, if the trust company should again engage actively in the sale and distribution of these bonds, it might become necessary to determine whether they were 'securities' within the meaning of section 32."

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



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Mr. Howard Adams, for permission to serve at the same time as a director of The National Marine Bank of Baltimore, Baltimore, Maryland, and as a director of the Colonial Trust Company of Baltimore, Baltimore, Maryland, for the period ending January 14, 1936.

Mr. W. J. Enos, for permission to serve at the same time as a director of The Mountain National Bank of Clifton Forge, Clifton Forge, Virginia, and as a director of the Industrial Loan Company, Clifton Forge, Virginia, for the period ending January 14, 1936.

Miss Edith I. Browning, for permission to serve at the same time as an employee of The Central National Bank of Greencastle, Greencastle, Indiana, and as an employee of The Central Trust Company, Greencastle, Indiana, for the period ending January 14, 1936.

Mr. F. J. Reu, for permission to serve at the same time as a director and officer of the First National Bank of Carthage, Carthage, Illinois, and as a director of the State Bank of Burnside, Burnside, Illinois, for the period ending January 14, 1936.

Mr. J. S. Bridwell, for permission to serve at the same time as a director of The First National Bank of Wichita Falls, Wichita Falls, Texas, and as a director of the State Trust Company, Wichita Falls, Texas, for the period ending January 14, 1936.

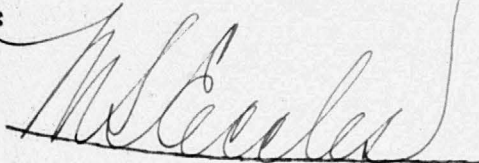
Mr. R. E. Huff, for permission to serve at the same time as a director and officer of The First National Bank of Wichita Falls, Wichita Falls, Texas, and as a director and officer of the State Trust Company, Wichita Falls, Texas, for the period ending January 14, 1936.

Mr. C. E. McCutchen, for permission to serve at the same time as a director and officer of The First National Bank of Wichita Falls, Wichita Falls, Texas, as a director of the State Trust Company, Wichita Falls, Texas, and as a director and officer of the First State Bank, Megargel, Texas, for the period ending January 14, 1936.

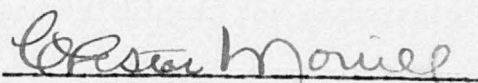
Approved.

Thereupon the meeting adjourned.

Approved:



Governor.

  
Secretary.