

A meeting of the Federal Reserve Board was held in Washington on Saturday, February 2, 1935, at 11:45 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:

Telegram to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Retel January 31. Federal Reserve Board approves for your bank rate of $2\frac{1}{2}\%$ per annum on advances to member banks under section 10(b) of Federal Reserve Act, as amended by Act of March 9, 1933, effective January 31, 1935."

Approved.

Letter dated January 31, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, advising that, at the meeting of the board of directors of the bank on that date, no change was made in the bank's existing schedule of rates of discount and purchase, except in the rate for advances to member banks under section 10(b) of the Federal Reserve Act as amended by the Act of March 9, 1933.

Without objection, noted with approval.

Telegram to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, stating that the Board approves the application of the "First State Savings Bank", Mason, Michigan, for membership in the Federal Reserve System and for the appropriate amount of stock

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in the Federal Reserve Bank of Chicago, subject to the conditions prescribed in the telegram.

Approved.

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

"On December 10, 1934, you approved the application of the 'Harvard Trust Company', Cambridge, Massachusetts, for permission to establish and operate a branch at Belmont, Massachusetts, provided the establishment and operation of the branch is authorized by the proper State authority, and provided also the bank comply with the condition as recommended by the Board that prior to the establishment of the branch the trust company, if it has not already done so, charge off or otherwise eliminate all estimated losses as shown in the report of examination as of October 27, 1934, made by an examiner for the Federal Reserve Bank of Boston.

"The estimated losses as shown in the report of examination as of October 27, 1934, amounted to \$536,280 and included \$417,875 depreciation in securities which was the net depreciation in the entire account as Group I securities showed a slight appreciation. The Federal Reserve Agent at the Federal Reserve Bank of Boston has reported that through charge offs or appreciation the bank has effected all of the required eliminations except a small amount of depreciation in securities and that the securities account now shows a depreciation of approximately \$32,000, of which approximately \$10,000 represents depreciation in lower grade securities.

"The Federal Reserve Agent has requested that in the circumstances the condition be modified in order to permit the establishment of the branch on the basis of the corrections already accomplished. In view of the corrections which have been effected and the relatively small amount of remaining depreciation in lower grade securities, the Board recommends that the condition be modified so as to permit the establishment and operation of the branch on the basis of the charge offs and eliminations which have been effected."

Approved.

Letter dated February 1, 1935, approved by five members of the Board, to "The Fairfield National Bank of Lancaster", Lancaster, Ohio, reading as follows:

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"This refers to the resolution adopted on June 6, 1933, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Federal Reserve Board understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

Approved.

Letter dated February 1, 1935, approved by five members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits to "Consolidated Securities Company", San Francisco, California, and "Anglo National Corporation", San Francisco, California, entitling such organizations to vote the stock which they own or control in the "First National Bank in Bakersfield", Bakersfield, California, and the "San Jose National Bank", San Jose, California, for the purposes set forth in the letter.

Approved.

Letter to The President of the United States, reading as follows:

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"The second paragraph of section 16 of the Federal Reserve Act empowers the Federal Reserve Board, until March 3, 1935 or until the expiration of such additional period not exceeding two years as the President may prescribe, should it deem it in the public interest, upon the affirmative vote of not less than a majority of its members, to authorize the Federal Reserve banks to offer and the Federal Reserve agents to accept direct obligations of the United States as collateral security for Federal Reserve notes issued to the Federal Reserve banks by the Federal Reserve agents. This provision of paragraph 2 of section 16 was added to the Federal Reserve Act by the Act of February 27, 1932, and as originally enacted authorized the pledging of direct obligations of the United States as collateral security for Federal Reserve notes only until March 3, 1933. The authorization was extended to March 3, 1934 by the Act of February 3, 1933, and the paragraph was amended by the Act of March 6, 1934 so as to extend such time until March 3, 1935, or until the expiration of such additional period not exceeding two years as the President may prescribe.

"The extension of the authority conferred by the second paragraph of section 16 of the Federal Reserve Act for the pledging of direct obligations of the United States as collateral security for Federal Reserve notes has enabled the Federal Reserve banks to meet the demands upon them for currency by paying out Federal Reserve notes in excess of the amount that could otherwise have been supplied. Direct obligations of the United States have been pledged by the Federal Reserve banks with the Federal Reserve agents since May 1932 and on January 16, 1935, the amount of direct obligations of the United States so pledged was \$193,000,000.

"In the opinion of the Federal Reserve Board the authority to use direct obligations of the United States as collateral for Federal Reserve notes has been of material assistance to the Federal Reserve banks in supplying the currency needs of the country and it is recommended that you extend the period during which the Federal Reserve Board may authorize the Federal Reserve banks to offer and the Federal Reserve agents to accept such security as collateral for Federal Reserve notes until March 3, 1937.

"For consideration in the event that you should determine to take such action, a draft of a proclamation extending the authority to the Federal Reserve Board and to the Federal Reserve banks in this respect for the period recommended has been prepared and transmitted to the Director of the Budget, accompanied by this letter, in accordance with the terms of the Executive Order of August 10, 1933."

Approved.

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Letter to Honorable William Gibbs McAdoo, United States Senator, reading as follows:

"Receipt is acknowledged of a letter from Professor John Parke Young, referred to the Federal Reserve Board from your office.

"In this letter Professor Young wishes to register a protest against the abolition of the economic and statistical divisions of the Federal Reserve banks, which he says he understood to be under consideration.

"Professor Young's information on the subject is not accurate. There is no intention of abolishing the economic and statistical divisions of the Federal Reserve banks, as the Board recognizes that the officers and directors of the Reserve banks should have such economic services as they may require for the performance of their duties, and also that these divisions at the Reserve banks have an important function as field agents in collecting information for the use of the Federal Reserve Board. It is true that the Board is making a survey of the economic and statistical services both of the Board and of the banks with a view to seeing how the System's services in this field can be improved both as to effectiveness and economy. This survey is now in process and no decision has been reached as to the extent or character of the changes that may be undertaken on the basis of this investigation."

Approved.

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

"Reference is made to your letter of January 25, 1935, regarding the adjustment by the 'Montana Bank and Trust Co.', Great Falls, Montana, of the carrying value of certain securities from purchase price to par value, charging premium or crediting discount on the purchases to the undivided profits account.

"It has been noted that prior to the receipt of the Board's letter of inquiry you had written to the bank about the matter and that you have received advice that the records have been adjusted to show actual cost of all bonds.

"It has been noted, also, that the adjustments to par value did not result in any substantial increase in the total carrying value of the securities inasmuch as the discounts credited were approximately offset by premiums charged to undivided profits.

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"It would appear, therefore, that the adjustments were not made with intent to deceive. Inasmuch as the records have been corrected, it is felt that in view of the circumstances no further action need be taken in the matter."

Approved.

Letters to the governors and Federal reserve agents at all Federal reserve banks, reading as follows:

"As you know the classification of primary, secondary and additional collateral and custodies held, as reported on the reverse side of Form 34, was revised in the 1935 edition in accordance with the recommendation contained in the minutes of the committee meeting on accounting held in Chicago on June 27 and 28, 1934.

"Inasmuch as a number of Federal Reserve banks have requested advice as to how certain securities should be classified, the following suggestions are made with a view to insuring uniformity of handling by all Federal Reserve banks:

"Include in the item 'U. S. Treasury- stock' all unissued stock for which the Federal Reserve Bank is accountable to the Treasury Department. This will include unissued obligations of the United States, the Federal Farm Mortgage Corporation, Home Owners' Loan Corporation, and the 4% Consolidated Federal Farm Loan bonds.

"Include in the item 'U. S. Treasury- other', all retired securities of the kinds mentioned in the preceding paragraph, also securities held in safekeeping for the Secretary of the Treasury, the Treasurer of the United States, the Comptroller of the Currency, and Collectors of Internal Revenue.

"Include in the item 'Federal Farm Mortgage Corporation', all Federal Farm Mortgage Corporation bonds held in trust for Registrars of Federal Land Banks or held in safekeeping for the Federal Farm Mortgage Corporation.

"Include in the item 'Other Government agencies', securities held for all other Government agencies, departments and officials. This will include canceled obligations of the individual Federal Land Banks and of the Federal Intermediate Credit Banks and securities held in safekeeping for the Farm Credit Administration, the Public Works Administration, the Federal Emergency Relief Administration, and for various other Government agencies, departments, and officials.

"Include in the item 'Others', all custodies for member banks, registered bonds received from Washington and held by the Federal Reserve Bank pending delivery, bonds of new issues held pending delivery and for which the Treasurer's general

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"account has been credited, and bonds received for exchange or redemption and held in suspense due to imperfect assignments or other causes."

Approved.

Memorandum dated January 25, 1935, from Mr. Parry, Chief of the Division of Security Loans, requesting authority to send to the Federal reserve agents at all Federal reserve banks the following letter, together with certain proposed amendments to Regulation "T", as well as authority to submit the proposed amendments to representatives of the Securities and Exchange Commission and the Treasury Department for their comment. The request was approved by six members of the Board on February 1, 1935 and the letter was sent under that date:

"There are inclosed herewith several copies of a preliminary draft of certain proposed amendments to Regulation T. You will note that these are in preliminary form and that they are not for publication.

"You are requested to furnish the Board with any criticisms of the proposed amendments which you may have and with suggestions for possible improvement. In preparing such criticisms and suggestions you may consult such other persons, including representatives of securities exchanges in your District, as you may wish to consult, and for this purpose you are at liberty to submit copies of the proposed amendments to such persons.

"Since it is desirable to make these amendments effective within the near future, you are requested to have all suggestions and criticisms in the hands of the Board as soon as possible.

"It should be emphasized that there is no intention at this time to undertake any general revision of Regulation T or to make any fundamental changes therein. The principal objects of the proposed amendments are briefly indicated below.

"Amendment No. 1 clarifies the meaning of the term 'days' as used in the regulation and authorizes the creditor, when required to act within so many 'days', to disregard Sundays and holidays in certain cases.

"Amendment No. 2 clarifies the provision requiring that

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"margin be obtained promptly and in addition makes clear that margin demanded against additional purchases in a restricted account shall be furnished, except in unusual cases, altogether in cash or securities and not by counting any appreciation in security values that occurs during the three days of grace allowed to the creditor for obtaining the margin.

"Amendment No. 3 extends from one day to ten days the period within which the creditor may pay to the customer the proceeds of the sale of unregistered securities from a restricted account.

"Amendment No. 4 clarifies and implements the restrictions arising from the Securities Exchange Act of 1934 with respect to the right of the broker or dealer to 'arrange for' the extension of maintenance of credit.

"Amendment No. 5 makes specific provision for certain exceptional cases, such as one in which the creditor, after attempting to comply with certain provisions of the regulation by selling collateral, finds himself left with an account consisting only of an unsecured debit balance so that he is maintaining credit without collateral.

"Amendment No. 6 includes sales 'for' a customer among 'cash transactions' and permits incidental extensions of credit in connection therewith, without reference to margin requirements, provided the securities sold are deposited for sale and are not included in any margin account. It also relieves the creditor from the necessity of requesting extensions of time in which to obtain small unpaid balances, and gives the creditor 'two full business days' instead of 'two days' in which to resell if the customer fails to comply with his agreement to pay promptly.

"Amendment No. 7 extends from one day to thirty-five days the time within which the creditor may pay over to the customer cash dividends or interest received for the customer in a restricted account."

Approved.

Telegram to Mr. Anderson, Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Your wire January 31 re effect of X-9108-a upon certificates of deposit of indefinite maturity. It is assumed that you refer to certificates payable upon notice in writing required to be given not less than 30 days before date of repayment. Regulation Q as amended provides that a member bank may pay interest on time deposits in accordance with the terms of a certificate lawfully entered into in good faith prior to December 18, 1934, and in force on that date and which may not

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"legally be terminated or modified by such bank at its option or without liability and the bank is required to take such action as may be necessary as soon as possible consistently with its contractual obligations to bring all such certificates into conformity with the regulation. It appears to the Board that a member bank may lawfully terminate the contract contained in a certificate of the kind above described by giving reasonable notice of its intention to do so to the holder of the certificate. Each member bank received notice on or about December 18, 1934, of the reduction in interest rate to become effective February 1, 1935, and it became the duty of such bank upon receiving such notice to terminate or to modify such certificates of deposit so as to bring them into conformity with the provisions of the regulation on February 1 if legally possible under the contract. Referring your wire February 1 re savings accounts, Regulation Q contains provisions applicable to savings deposits similar to those above described relating to time deposits. It is understood that most banks under their contracts with savings depositors have the legal right to terminate or modify such contracts upon the giving of reasonable notice or notice of a specified period, usually 30 days. In the circumstances it became the duty of member banks upon being advised of the amendment to the Board's Regulation Q to terminate or to modify its savings deposit contracts so as to bring them into conformity with the provisions of the regulation on February 1 if legally possible under the contracts."

Approved.

Memorandum dated February 1, 1935, from Mr. Vest, Assistant Counsel, recommending that, as the above telegram to Mr. Anderson, Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland, related to the subject of the right of a member bank to pay interest at the rate of 3 per cent per annum after January 1, 1935, until maturity, on time deposit contracts entered into prior to December 18, 1934, the substance of the telegram be incorporated in the statement regarding that subject which was approved by the Board on January 30, 1935, for publication in the next issue of the Federal Reserve Bulletin.

Approved.

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Letter to Mr. J. W. Adams, Division Manager, American Telephone and Telegraph Company, reading as follows:

"Your service No. 025434 covered by the contract between the Federal Reserve Board and the American Telephone and Telegraph Company calls for teletype telegraph service between the Federal Reserve Banks of Chicago and San Francisco daily, including Sunday, between the hours of 9:15 a. m. and 7:15 p. m., Central Standard Time.

"At the suggestion of the Federal reserve banks involved, it is requested that the Sunday service on this line be discontinued as promptly as possible. It is understood from your Mr. DeBarbieri that the elimination of the Sunday service on this line will result in a reduction of approximately \$194 in the monthly rate on this line, resulting in an annual saving of approximately \$2,328.

"The Federal Reserve Bank of San Francisco has also requested that the hours of service on the telegraph line between the Federal Reserve Banks of Chicago and San Francisco be changed from the hours stated above to the hours of 9:45 a. m. to 6:45 p. m. on all week days except Thursday, and that on Thursdays service be provided from 9:15 a. m. to 6:15 p. m. All hours stated are Central Standard Time. It is understood that the shorter hours of service provided by these changes will result in a further reduction of approximately \$105 in the monthly rate, or approximately \$1,260 per annum.

"Mr. DeBarbieri has advised that the proposed changes can be made at once, and it will be appreciated if you will advise the Board the date upon which they will be effected in order that we may advise the Federal Reserve Banks of Chicago and San Francisco accordingly. It is understood that you will have revised appendix A sheets, showing all of the changes referred to above, executed by an authorized officer of your company and forwarded to the Board promptly for signature."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Consideration has been given to the request of Mr. Gerald F. Beal for a ruling as to the applicability of section 32 of the Banking Act of 1933 to his service as an officer and director of J. Henry Schroder Trust Company, New York, New York, and as director of Continental Securities Corporation. It is noted that you and counsel for your bank are of the opinion that the

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"provisions of that section are not applicable to the relationship in question.

"It appears that Continental Securities Corporation is a so-called investment company, and that it does not engage in the issue, underwriting, or distribution of securities other than its own. It further appears that as of December 31, 1933, the securities in its portfolio had been held in the following percentages for the following periods:

| | |
|-------------------------------|-----------|
| "Held less than 6 months | 21 |
| Held between 6 and 12 months | 26 |
| Held between 12 and 18 months | 3 |
| Held between 18 and 24 months | 8 |
| Held 24 months and over | <u>42</u> |
| | 100 |

"It appears, further, that purchases and sales of securities by the corporation constituted the following percentages of its total assets during the years indicated:

| <u>"Year</u> | <u>Purchases</u> | <u>Sales</u> |
|-------------------------|------------------|--------------|
| 1929 | 51 | 47 |
| 1930 | 26 | 21 |
| 1931 | 29 | 48 |
| 1932 | 73 | 97 |
| 1933 | 81 | 77 |
| "Average for five years | 46.8 | 48.2 |

"On the basis of the information which has been submitted, the Board concurs in your opinion that Continental Securities Corporation should not be regarded as 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of section 32.

"The information which has been submitted does not indicate the extent of the activity, if any, of the corporation in purchasing, selling, or distributing its own stock or other securities. In the event that the corporation is actively engaged in such transactions, a further question would be raised regarding the applicability of section 32 in this case."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Consideration has been given to the application of Edwin P. Maynard under the provisions of section 32 of the Banking Act of 1933 for a permit authorizing him to serve as an officer and trustee of the Brooklyn Trust Company, Brooklyn, New York, and as director of The Broad Street Investing Co. Inc., New York, New York. Consideration has also been given Mr. Dillistin's letter of August 21, 1934, the inclosed copy of a letter

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"from Mr. Randolph, president of the corporation, and the opinion of counsel for your bank, relating thereto. It is noted that you and counsel for your bank feel that the relationship in question should be regarded as subject to the provisions of section 32.

"It appears that The Broad Street Investing Co. Inc. is an investment corporation, and that it has never participated in any transaction involving the underwriting or distribution of securities to the public.

"The corporation was organized on October 14, 1929, and began actual operations in 1930. The statistical information which has been submitted shows that, during the years 1930 to 1933 inclusive, purchases and sales of securities by the corporation represented the following percentages of its average total assets for the respective years:

| <u>Year</u> | <u>Purchases</u> | <u>Sales</u> |
|-------------------------|------------------|--------------|
| 1930 | 112.24 | 88.91 |
| 1931 | 118.04 | 110.10 |
| 1932 | 68.76 | 74.18 |
| 1933 | <u>57.08</u> | <u>61.47</u> |
| "Average for four years | 92.7 | 85.0 |

"Mr. Randolph's letter states that the purchases and sales are made for the purpose of keeping the assets of the corporation invested to the best advantage and involve shifts from securities considered less desirable to others considered more desirable. The figures submitted indicate that, for the four years 1930 to 1933 inclusive, purchases and sales of securities resulted in a net loss equivalent to approximately 175% of the other gross income of the corporation.

"Mr. Randolph further states that there is included in the purchases and sales in 1932 the purchase price of securities acquired in connection with the acquisition of substantially all of the assets of First American Corporation, such purchases amounting to approximately 28% of the total purchases for that year. Similarly, the figures for 1933 include the purchase price of securities acquired in connection with the acquisition of the assets of York Shares Corporation, such purchases amounting to approximately 6.8% of the total purchases for that year. Likewise, the sales for those years include sales occasioned by the necessity for raising cash in connection with such acquisitions and also to provide funds for the liquidation of the capital stock tendered to the corporation for repurchase under the existing charter provisions. If these purchases were excluded, the purchases for 1932 would be equivalent to approximately 50% of total assets, and for 1933 approximately 52.5%.

"It may be noted that since June 1932 Tri-Continental Corporation, in return for a fee, has furnished investment advice to assist in the management of the corporation's portfolio.

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"Mr. Randolph's letter also contains figures showing the value of securities, blocks of which were held in the corporation's investment portfolio on two or more successive annual report dates, stated in terms of percentages of all securities held. However, these figures merely indicate the length of time securities were held in the portfolio, since it is of course possible that identical securities may have been sold and repurchased between annual report dates; and Mr. Randolph has not furnished figures showing the proportion of the corporation's portfolio held as of December 31, 1933, for less than six months, between six and twelve months, between twelve and twenty-four months and for more than twenty-four months, respectively, as was requested.

"In this connection, Mr. Randolph's letter states that 'the management of this Corporation, as a matter of policy, seldom purchases securities for trading or short term holding purposes. It is probably no exaggeration to say that the great majority of securities purchased are held at least six months or longer'.

"However, on the basis of the information which has been submitted, the provisions of section 32 are apparently applicable to the relationships described in the first paragraph of this letter.

"As you know, the Federal Reserve Board believes that it was the intent of Congress in enacting section 32 to terminate all relationships of certain types between member banks and corporations engaged primarily in the business of purchasing, selling or negotiating securities, apparently because it felt that such relationships might tend to affect in a manner which Congress deemed to be incompatible with the public interest the banks' credit and investment policies and their advice respecting investments to their correspondent banks and other customers. Consequently, the Board believes that it may not properly grant permits authorizing relationships which appear to be actually of the kind referred to in that section and that its authority to issue such permits should be exercised only in exceptional cases, such as those which are included within the literal terms of the statute but which are actually of a kind different from the relationships at which its provisions were directed. However, the relationship covered by Mr. Maynard's application is apparently within the class which the Board believes the section was designed to terminate and it is unable to find that it would not be incompatible with the public interest as declared by Congress to grant his application. Therefore, unless there are other circumstances which you believe should be considered by the Board, it is requested that you advise Mr. Maynard accordingly.

"In the event that Mr. Maynard desires to submit further facts or arguments in support of his application, the Board, as you know, is prepared to give them careful consideration. However, any additional facts or arguments should be submitted to

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"you, in writing, as promptly as possible; and, in the event that he does not desire to submit any further facts or arguments, he should be requested to notify you as to what steps he takes to bring his relationships into conformity with the provisions of the law.

"In the event that he wishes to submit any further facts or arguments, it will be appreciated if, in addition to the usual information which the applicant has failed to furnish as noted above, you will also obtain information and advise the Board as to what extent, if any, the corporation is engaged in the business of buying or selling shares of its own stock or any obligations of the corporation, furnishing also your comments regarding any such transactions in the light of the provisions of section 32."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"The Board has given consideration to the application of Mr. Abel Hansen, Perth Amboy, New Jersey, for permission under the provisions of the Clayton Act to serve at the same time as director of The First National Bank of Perth Amboy, as director and officer of The Raritan Trust Company of Perth Amboy, both of Perth Amboy, New Jersey, and as director and officer of The Fords National Bank, Fords, New Jersey; and, on the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest. You are requested to advise the applicant of the Board's position in the matter, unless there are pertinent facts which were not submitted with the application and which you feel should be given consideration.

"Please inform Mr. Hansen that the Board's action upon his application was based upon the fact that the two Perth Amboy banks appear to be engaged in the same class or classes of business in the same community and so located as to be in a position to compete substantially. It appears that it is the policy of the Congress, as declared in the Clayton Act, to terminate interlocking relationships between banking institutions of certain classes which are in substantial competition, apparently because the Congress felt that such relationships might tend to result in a substantial lessening of competition and a restriction of credit. Therefore, the Board does not feel that it may grant this application since no other facts have been brought to its attention which would make it compatible with the public interest to issue the permit. In this connection,

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"reference is made to the Board's letter of January 9, 1935 (X-9082).

"In communicating with the applicant, please advise him that, in accordance with section V(g) of Regulation L, consideration will be given to any additional facts or arguments not appearing in his application and accompanying forms which he feels should be brought to the Board's attention. In this connection, please advise the Board promptly as to whether Mr. Hansen desires to submit any additional data and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

"You are authorized also to inform Mr. Hansen that, if he so desires, he may amend his application by letter to exclude therefrom one of the two Perth Amboy banks, and that upon receipt of such amendment, accompanied by appropriate evidence of the severance of his connection with the bank which is to be excluded from the application, the Board will give consideration to such amended application. The amendment, and any additional information submitted by the applicant in connection therewith, should be transmitted to you, of course, and should be forwarded to the Board with your recommendation.

"In the consideration of the application, it was noted that Mr. Hansen is serving as director of First National Company, Perth Amboy, New Jersey, which may be a securities company within the meaning of section 32 of the Banking Act of 1933, and is said to be connected with the R. T. H. Holding Company, which also may be a securities company within the meaning of section 32, although it is noted that Mr. Hansen (in his letter with respect to his borrowings and those of his interests) claims to have no connection with the R. T. H. Holding Company. Please investigate this matter and, if it is found that the services of Mr. Hansen with the companies mentioned and the member banks involved come within the prohibitions of section 32, advise him of the provisions of that section and as to the procedure to be followed in making application for a permit under its provisions. In the event that Mr. Hansen desires to submit an amendment to his application, it is suggested that the applicability of section 32 to his services with the companies named and the member banks involved be determined definitely and, if his services come within the purview of that section, that the applicant arrange to comply with the provisions of that section before submitting the amendment to his application.

"Please advise the Board fully as to the action taken in this matter in order that its files may be complete."

Approved.

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

"The Board has given consideration to the application of Mr. Edward C. Baltz, Washington, D. C., for permission under the provisions of the Clayton Act to serve at the same time as director of Hamilton National Bank of Washington, Washington, D. C., as director of Security Savings and Commercial Bank of Washington, Washington, D. C., and as director and officer of Federal Home Loan Bank of Winston-Salem, Winston-Salem, North Carolina, and, upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest. You are requested to advise the applicant of the Board's position in the matter, unless there are pertinent facts which were not submitted with the application and which you feel should be given consideration.

"Please inform Mr. Baltz that the Board's action upon his application was based upon the fact that the two Washington banks appear to be engaged in the same class or classes of business in the same community and so located as to be in a position to compete substantially. It appears that it is the policy of the Congress, as declared in the Clayton Act, to terminate interlocking relationships between banking institutions of certain classes which are in substantial competition, apparently because the Congress felt that such relationships might tend to result in a substantial lessening of competition and a restriction of credit. Therefore, the Board does not feel that it may grant this application since no other facts have been brought to its attention which would make it compatible with the public interest to issue the permit. In this connection, reference is made to the Board's letter of January 9, 1935 (X-9082).

"In communicating with the applicant, please advise him that, in accordance with section V(g) of Regulation L, consideration will be given to any additional facts or arguments not appearing in his application and accompanying forms which he feels should be brought to the Board's attention. In this connection, please advise the Board promptly as to whether Mr. Baltz desires to submit any additional data and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act.

"You are authorized also to inform Mr. Baltz that, if he so desires, he may by letter amend his application to exclude therefrom one of the two Washington banks, and that upon receipt of such amendment, accompanied by appropriate evidence of the severance of his connection with the bank which is to be excluded from the application, the Board will give consideration to such

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"amended application. The amendment, and any additional information submitted by the applicant in connection therewith should, of course, be transmitted to you and should be forwarded to the Board with your recommendation.

"In the consideration of this application it was noted that Mr. Baltz is serving as an officer of Fidelity Mortgage and Investment Company, Washington, D. C., which may be a securities company within the meaning of section 32 of the Banking Act of 1933. In the event that Mr. Baltz desires to submit an amendment to his application and should choose to continue his services to the member bank, it is suggested that you advise him of the requirements of section 32 and determine whether his relationship with the member bank involved and Fidelity Mortgage and Investment Company comes within the purview of that section; and, if it does, request the applicant to file an application for a permit under that section when submitting the amendment to his Clayton Act application.

"Please advise the Board fully as to the action taken in this matter in order that its files may be complete."

Approved.

Letter to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, transmitting the following amended Clayton Act permit for delivery to the applicant:

Mr. Judson F. Stone, for permission to serve at the same time as a director of the Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, and as a director and officer of the Wilmette State Bank, Wilmette, Illinois, for the period ending January 14, 1936.

Approved.

Letter to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, stating that the Board has given consideration to the following applications for permits under the Clayton Act, and that, upon the basis of the information before it, feels that the issuance of the permits applied for would be incompatible with the public interest:

Mr. D. A. Earle, for permission to serve at the same time as a director of The Tygarts Valley National Bank of Elkins, Elkins, West Virginia, and as a director of the Davis Trust Company, Elkins, West Virginia.

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Mr. Thomas D. Lee, for permission to serve at the same time as a director of The Tygarts Valley National Bank of Elkins, Elkins, West Virginia, and as a director of the Davis Trust Company, Elkins, West Virginia.

The letter also requested the agent to communicate to the applicants the Board's position in the matter, and to advise the Board promptly as to whether the applicants desire to submit any additional data, and if not, as to what steps they propose to take in order to comply with the provisions of the Clayton Act.

Approved.

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

Mr. A. A. Covieo, for permission to serve at the same time as an officer of The Farmers and Traders National Bank of Colebrook, Colebrook, New Hampshire, and as an officer of the Farmers Guaranty Savings Bank, Colebrook, New Hampshire, for the period ending January 14, 1936.

Mr. G. W. Dickson, for permission to serve at the same time as a director of The Farmers and Traders National Bank of Colebrook, Colebrook, New Hampshire, and as a trustee of the Farmers Guaranty Savings Bank, Colebrook, New Hampshire, for the period ending January 14, 1936.

Mr. Villa W. Harvey, for permission to serve at the same time as an employee of The Farmers and Traders National Bank of Colebrook, Colebrook, New Hampshire, and as an officer of the Farmers Guaranty Savings Bank, Colebrook, New Hampshire, for the period ending January 14, 1936.

Mr. Fred Jordan, for permission to serve at the same time as a director of The Farmers and Traders National Bank of Colebrook, Colebrook, New Hampshire, and as a trustee of the Farmers Guaranty Savings Bank, Colebrook, New Hampshire, for the period ending January 14, 1936.

Mr. Darwin Lombard, for permission to serve at the same time as a director and officer of The Farmers and Traders National Bank of Colebrook, Colebrook, New Hampshire, and as trustee and officer of the Farmers Guaranty Savings Bank, Colebrook, New Hampshire, for the period ending January 14, 1936.

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Mr. L. M. Lombard, for permission to serve at the same time as a director of The Farmers and Traders National Bank of Colebrook, Colebrook, New Hampshire, and as a trustee of the Farmers Guaranty Savings Bank, Colebrook, New Hampshire, for the period ending January 14, 1936.

Mr. L. D. Ripley, for permission to serve at the same time as a director and officer of The Farmers and Traders National Bank of Colebrook, Colebrook, New Hampshire, and as a trustee of the Farmers Guaranty Savings Bank, Colebrook, New Hampshire, for the period ending January 14, 1936.

Mr. John D. McLanahan, for permission to serve at the same time as an employee of the Bankers Trust Company, New York, New York, and as a director of The First National Bank of North Bennington, North Bennington, Vermont, for the period ending January 14, 1936.

Mr. John C. Halsema, for permission to serve at the same time as a director of the First National Bank in New Bremen, New Bremen, Ohio, and as a director of The Minster State Bank, Minster, Ohio, for the period ending January 14, 1936.

Mr. Fritz Fritzon, for permission to serve at the same time as a director and officer of the First National Bank in Sioux City, Sioux City, Iowa, and as a director of the First National Bank in Le Mars, Le Mars, Iowa, for the period ending January 14, 1936.

Approved.

There were then presented the following applications for changes in stock of Federal reserve banks:

| <u>Applications for SURRENDER of Stock:</u> | <u>Shares</u> | |
|---|---------------|-----|
| <u>District No. 1.</u> | | |
| Boulevard Trust Company of Brookline, Brookline, Massachusetts | 303 | |
| Canton Trust Company, Canton, Massachusetts | 72 | |
| Needham Trust Company, Needham, Massachusetts | 165 | |
| Stoughton Trust Company, Stoughton, Massachusetts | <u>105</u> | 645 |

Approved.

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Thereupon the meeting adjourned.

Chester Morie
Secretary.

Approved:

W. C. C. C.
Governor.