A meeting of the Federal Reserve Board was held in Washington on Wednesday, February 13, 1935, at 11:00 a.m.

PRESENT: Mr. Eccles, Governor
         Mr. Thomas, Vice Governor
         Mr. Hamlin
         Mr. Miller
         Mr. Szymczak
         Mr. Morrill, Secretary
         Mr. Bethea, Assistant Secretary
         Mr. Carpenter, Assistant Secretary

Memorandum dated February 2, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending that Mr. W. B. Dorsey, a clerk in the division, who had reported to the office under the influence of liquor, be furloughed for a period of one month without salary and advised definitely that a repetition of the offense will not be countenanced under any circumstances and will result in his immediate dismissal. The memorandum had been initialed by four members of the Board and Mr. Miller had requested that it be discussed at a meeting of the Board.

Mr. Miller stated that he had been inclined to the feeling that, in view of the circumstances involved, the employee should be dismissed.

After a discussion, during which reference was made to the action taken on March 28, 1934, in connection with Mr. James E. Tanner, a telegraph operator in the Board's telegraph office, Mr. Hamlin moved that Mr. Smead's recommendation be approved.

Carried.

Letter dated January 28, 1935, from Mr. James Simpson, Class C director and Deputy Chairman of the Federal Reserve Bank of Chicago,
Mr. Eugene M. Stevens, Chairman of the Federal Reserve Bank of Chicago, sent me a copy of your letter of January 9th wherein you state that the Federal Reserve Board has adopted a policy that six years of service represents the maximum period of time during which a director should remain continuously in office.

I was appointed a Class C Director of the Federal Reserve Bank of Chicago on December 17, 1917, taking office as of January 1, 1918, and was appointed Deputy-Chairman at the first meeting thereafter. I have served continuously in both capacities since that time. My term of office therefore has been over seventeen years, or nearly three times the length of service which the Federal Reserve Board now deems desirable.

Although my present appointment as Deputy-Chairman, received from your Board on January 4, 1935, does not expire until the end of this year, and my current appointment as Class C director expires at the same time, I have no wish to take advantage of that fact, and in view of your presently adopted policy I herewith tender my resignation as a Class C director and as Deputy-Chairman of the Federal Reserve Bank of Chicago, to become effective at the pleasure of the Federal Reserve Board.

I can only add that I have had much education during my term of service upon the subject of Central Banking, and it has been a great privilege to have participated, in a very minor way, in the solution of some of the many original problems with which the Federal Reserve System has been confronted during these trying years.

I have the greatest respect for all of those members of your Board, both past and present, with whom I have had contact.

The Governor was authorized to advise Mr. Simpson that the Federal Reserve Board desires him to continue as a director of the bank for the remainder of his term; that the policy announced in the Board's letter of January 9, 1935, was not intended to apply in any way during their present terms to directors now holding office, but to future appointments; and that the policy was announced in order that the Federal reserve banks and the directors of the banks and branches might have ample time within which to become familiar with it.

Consideration was then given to the following matters which had been circulated among the members of the Board and held for further
consideration at a meeting of the Board because of questions of policy involved:

Five letters prepared by counsel with regard respectively to the applications under section 32 of the Banking Act of 1933 of Messrs. C. S. Bissel of Suffield, Connecticut, Joseph J. Thorndike, Peabody, Massachusetts, Charles E. Robertson, Scranton, Pennsylvania, Pinkney W. Love, Easton, Pennsylvania, and Ralph M. Mayerstein, Lafayette, Indiana, each of whom apparently was engaged in the securities business in his individual capacity. Each of the letters took the position that the first clause of section 32 was not applicable to a person who is engaged in the securities business as an individual.

Mr. Thomas had attached a memorandum to the file expressing the opinion that a securities dealer operating as an individual might exert as harmful an influence on a member bank as a member or manager of a firm and that to hold that the portion of the section in question was not applicable to an individual dealer disregards the purpose of the section as it had been construed by the Board as intended to terminate certain relationships between member banks and dealers in securities. It was pointed out that this question had been before the Board previously, that in October, 1933, the Board held that the provision was not applicable, and that this ruling had been published in the December 1933 Federal Reserve Bulletin.

Mr. Chase, Assistant Counsel, in a memorandum dated January 11, 1935, had stated that although it might have been reasonable for Con-
gress to make section 32 applicable to such a relationship, it appeared that it was not applicable and a considerable change in phraseology would have been necessary to make it applicable. It was pointed out that the omnibus bill, which failed of passage at the last session of Congress, contained an amendment to section 32 which would have made it applicable to the service of an individual dealer as a director or officer of a member bank. It was also stated that the Banking Act of 1935 now pending before Congress contains an amendment which would make the provision applicable to an individual dealer.

After discussion, Mr. Miller moved that the Board reconsider its previous ruling, and, in order to further the purpose of the statute, that the Board now take the position that the first clause of section 32 is applicable to a person engaged in the securities business in his individual capacity. It was explained that this motion carried with it also the rejection of the applications of the individuals under consideration.

Carried, and it was requested that counsel prepare a letter to the Federal reserve agents at all Federal reserve banks advising of the action taken by the Board on the interpretation of section 32. On Mr. Miller's motion Mr. Hamlin voted "no".

Draft of letter prepared by counsel to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Consideration has been given to the application of Mr. Oscar R. Foster under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as a director of the Citizens Trust Company and as a general partner of Snyder, Wilson & Company, both of Toledo, Ohio, which you recommended be denied in view of the nature of the relationship involved. "It appears that Snyder, Wilson & Company is engaged in the brokerage business as well as in distributing securities
"and trading on its own account. For the three-year period ending June 30, 1934, the income of the firm was $249,844.59. On the basis of the information submitted, it appears that, of this sum, $197,016.64 was derived from acting as broker on behalf of others; $8,068.90 from trading on its own account; $54,759.05 from the distribution of investment trust shares as member of a distributing group; and $10,000 from the distribution on a commission basis of stock of Buckeye Brewing Co., a local corporation, which was not underwritten by the firm.

"It thus appears, on the basis of the information which has been submitted, that approximately 14% of the firm's total income for the three-year period was derived from distributing investment trust shares as member of a distributing group, and that such income together with the income received from trading on its own account and the distribution of the Buckeye Brewing Co. stock, comprised approximately 21% of the firm's total income for the period.

"Moreover, as stated in the Board's letter of July 16, 1934, the business of Snyder, Wilson & Co. is described as follows in Calvin Bullock's 'Security Dealers of North America' (1934 edition):

'Underwriters, Participating Distributors & Dealers in Govt., Municipal, Public Utility, Industrial, Investment Trust & Real Estate Issues Specializing in Investment Trust Securities; Stock Brokers; Members of Distributors Group, Inc.'

From a statement in the preface to that book it appears that a questionnaire is sent every six months to each firm listed. It is assumed, therefore, that the foregoing excerpt is based on information furnished by Snyder, Wilson & Co.

"Under the circumstances, 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. Foster'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. Foster accordingly.

"In the event that Mr. Foster 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 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."

Mr. Thomas had attached a memorandum to the file stating that to hold that this case comes within the provisions of section 32 was to disregard the word "primarily" in Section 32 of the Banking Act of 1935. There was also attached to the file a memorandum dated December 19, 1934, from Mr. Chase, Assistant Counsel, calling attention to the denial by the Board of the application of Mr. Jansen Noyes for permission to serve as a director of two member banks and as a partner of Hemphill, Noyes & Company, New York, New York, which involved somewhat similar circumstances.

After discussion, Mr. Szymczak moved that, in accordance with the decision reached in connection with the application of Mr. Noyes, the Board approve the proposed letter to Mr. Fletcher.

Carried, Messrs. Hamlin and Thomas voting "no".

Application of Mr. Louis Curtis for a permit under section 32
of the Banking Act of 1935 to serve as a director of the Merchants National Bank of Boston and as trustee of the Century Shares Trust, both of Boston, Massachusetts. Counsel had submitted a draft of a letter to the Federal Reserve Agent at Boston stating that, on the basis of the information submitted, the Century Shares Trust appeared to be carrying on actively the purchase and sale of its own shares to such an extent that the Board believed it was engaged primarily in the business of purchasing, selling or negotiating securities within the meaning of section 32. Mr. Thomas had attached a memorandum to the file in which he stated that he doubted if counsel's decision was a correct interpretation of the law and that he did not think the statute was intended to apply to the sale by investment trusts of their own stock. Mr. Hamlin had attached a memorandum stating that he understood that under counsel's interpretation no director of a member bank could be a director of an investment trust, and expressing the opinion that it would be going too far to hold that every investment trust is primarily engaged in the business of purchasing, selling, or negotiating securities. A memorandum from Mr. Wingfield, Assistant Counsel, dated January 8, 1935, called attention to the fact that applications under section 32 are considered on the particular facts involved in each case and a decision in this case would not involve the general principle as to whether or not all investment trusts should be considered as coming within the provisions of section 32 and that the question whether the Century Shares Trust should be considered as coming within the provisions of the section is a very close one and a question of fact for the Board's determination.
It was pointed out that the sale and redemption by the trust of its own shares during each of the three years from 1951 to 1955, inclusive, amounted to less than 15% of the number of shares outstanding.

At the conclusion of a discussion, upon motion by Mr. Miller, it was requested that counsel prepare a letter to the Federal Reserve Agent at Boston advising that, on the basis of the information submitted, the Board is of the opinion that the Century Shares Trust is not engaged primarily in the business of purchasing, selling or negotiating securities within the meaning of section 52.

Clayton Act application of Mr. Stephen B. Monroe for permission to serve as a director of the American National Bank of Kalamazoo, Michigan, and as a director of the Kalamazoo Industrial Bank, Kalamazoo, Michigan, which application was not approved by the Board on September 14, 1934, and in connection with which, after additional information had been submitted by the applicant, the Federal reserve agent had expressed the opinion that the two banks were in direct competition for savings accounts. It was pointed out that on September 22, 1934 and December 11, 1954, the Board refused to issue a Clayton Act permit to Mr. Albert E. Kettle to serve the industrial bank and the First National Bank and Trust Company of Kalamazoo on the ground that the banks were in substantial competition, but that the assistant Federal reserve agent at Chicago, in a letter dated January 26, 1955, had advised that after a conference with the vice president of the First National Bank and Trust Company of Kalamazoo, who was of the opinion very little competition exists between the two banks, it was the recom-
mendation of the Federal reserve agent’s department that Mr. Kettle’s application be approved; this recommendation being made in the light of the Board’s recent letters and suggested amendments to the Clayton Act.

Mr. Thomas moved that the Board reconsider its action in connection with the application of Mr. Kettle and that it issue permits to Mr. Monroe covering his services to the American National Bank and the Kalamazoo Industrial Bank and to Mr. Kettle covering his service to the First National Bank and Trust Company and the Kalamazoo Industrial Bank, to expire at the close of business on January 14, 1936.

Carried, Mr. Szymczak voting "no".

Clayton Act application of Mr. Grover C. Greer for permission to serve as a director of the First National Bank of Bel Air and the Harford Bank, both of Bel Air, Maryland. On October 29, 1934, the Board had addressed a letter to the Federal Reserve Agent at Richmond advising that, as it appeared that the banks involved were in substantial competition, the Board felt the issuance of the permit applied for would be incompatible with the public interest.

It was stated that additional information had been submitted by the Federal Reserve Agent who concurred with the State Bank Commissioner in the opinion that the applicant added needed strength to the management of the banks and that his services would not result in a lessening of competition or restriction of credit. It was also stated that Mr. Greer had not abused the credit facilities of the banks; that the Harford bank had been suffering from the effects of
weak management; and it had been asserted that the loss of Mr. Greer's services would work a distinct hardship on the national bank.

Most of the members present indicated their willingness to issue a limited permit to Mr. Greer. Governor Eccles referred to the Board's letter of January 9, 1935, to the chairmen of all Federal reserve banks setting forth the Board's policy with regard to the approval of Clayton Act applications and called attention to the fact that, if the proposed amendments to the Clayton Act contained in the Banking Act of 1935 be enacted into law, the general regulations promulgated by the Board undoubtedly would prevent the service of interlocking directors in situations similar to that involved in this case. He stated that, however, in view of the pending legislation he was willing to issue a limited permit to Mr. Greer.

Mr. Hamlin moved that the Board issue a permit to Mr. Greer to expire on January 14, 1936.

Carried, Mr. Miller voting "no".

There followed a discussion of the Clayton Act applications filed by Mr. Paul M. Davis for permission to serve as officer and director of the American National Bank of Nashville, Tennessee, and as director of the Nashville Branch of the Federal Reserve Bank of Atlanta and of Messrs. A. W. Willey, Parkes Armistead, L. G. Sadler, J. W. Wakefield, J. U. Glaboff and C. H. Wetterau for permission to serve the national bank and one or more banks affiliated with the national bank. Because of the unsatisfactory management of the
national bank and the unsatisfactory influence of that management on the affiliated banks, the Federal reserve agent had recommended that the applications be denied. Mr. Thomas had attached a memorandum to the file stating that, after conferring with Mr. Jones, Chairman of the Reconstruction Finance Corporation, and Mr. James, Chairman of the Board's Committee on District No. 6, who is familiar with the local situation, he was of the opinion that it would be in the public interest to issue permits to expire on January 14, 1936.

The special circumstances involved in the seven applications were discussed, but, in view of the absence of Mr. James who is confined to his home by illness, action on the applications was deferred until a meeting when Mr. James is present.

Clayton Act application of Mr. J. L. Collins for permission to serve as a director and officer of the Iowa State Savings Bank and the Community National Bank and Trust Company, both of Knoxville, Iowa, and as a director of the Peoples National Bank of Albia, Iowa. It was pointed out that the Knoxville banks are in a position to compete substantially, but that on July 16, 1934, the Board had issued a permit to Mr. A. J. Hanna to serve the two banks in accordance with the practice followed in many cases at that time of granting permits notwithstanding competitive conditions where the applicant had been serving the institutions for a number of years. Mr. Thomas had attached a recommendation that, in view of the action taken by the Board on the application of Mr. Hanna, it issue a permit to Mr. Collins to expire on January 14, 1936.

Governor Eccles pointed out that the Board's action on the
application of Mr. Hanna was taken prior to the adoption of the policy set forth in the Board's letter of January 9, 1935, and he stated that he felt that the Board should adhere to that policy regardless of whether it had previously issued a permit involving the same banks.

Mr. Szymczak moved that the application be not approved.

Carried, Mr. Thomas voting "no".

Clayton Act applications of Mr. H. E. Jones and Mr. Carl A. Jones for permission to serve the First National Bank in Bristol, Tennessee, and the Washington Trust and Savings Bank of Bristol, Virginia; and of Mr. W. N. McAnge, Jr., to serve the First National Bank in Bristol, Tennessee, and the Dominion National Bank of Bristol, Virginia. It was pointed out that the banks are in a position to compete substantially but that the applicants had been instrumental in a reorganization which had resulted in the opening of the First National Bank in Bristol to succeed the First National Bank of Bristol, thus preventing a disastrous failure, and that for this reason the Federal Reserve Agents at Richmond and Atlanta recommended that the applications be approved.

Mr. Miller moved that, in view of the policy set forth in the Board's letter of January 9, 1935, the applications be not approved.

Carried, Mr. Thomas voting "no".

Applications under the Clayton Act as follows:
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The Board's Division of Examinations had recommended that all
of the applications be denied, with the exception of the application of Mr. Albert A. Jackson, because of the fact that the banks involved are in substantial competition; it being pointed out in the recommendation that in 1916 the Board issued a permit to Mr. Jackson to serve as a director of the Central-Penn National Bank and an officer of the Girard Trust Company, and the granting of the present application involved nothing more than the extension of the permit previously issued, to cover Mr. Jackson's service as manager of the trust company in addition to that of officer, and that in view of these circumstances it was felt that the application should be approved.

At the conclusion of a discussion of the question whether an exception to the Board's policy should be made in the case of Mr. Jackson, Mr. Szymczak moved that the six other applications referred to be not approved.

Carried.

Mr. Szymczak then moved that, in accordance with the policy set forth in the Board's letter of January 9, 1955, Mr. Jackson's application be not approved.

Carried, Messrs. Hamlin and Thomas voting "no".

The Board then acted upon the following matters:

Memorandum dated February 9, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Mary White, an employee of the Board since 1929, be granted an additional leave of absence with pay, on account of extended illness, for a period of thirty days from February 9.

Approved.
Telegram to Mr. Austin, Federal Reserve Agent at the Federal
Reserve Bank of Philadelphia, reading as follows:

"Consideration is being given to question raised by
your letter of January 12, 1935, and in the circumstances
Board extends to March 15, 1935, the time within which
'First Trust Company of Philadelphia', Philadelphia,
Pennsylvania, may accomplish its membership and within
which 'The First National Bank of Philadelphia', Phila-
delphia, Pennsylvania, its holding company affiliate, may
obtain a voting permit. Please advise banks accordingly."

Approved.

Letter dated February 12, 1935, approved by four members of
the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the
Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of January 31, 1935,
regarding the issuance of a limited voting permit to 'The
First and Merchants National Bank of Middletown', Middletown,
Ohio, on January 7, 1935.

You stated that the limited voting permit was issued
with the understanding that the requirements prescribed in
the Board's ANCIGAR telegram of December 22, 1934, as amended
by the Board's telegram of January 7, 1935, had been met.
However, it is understood that the report of condition as of
December 31, 1934, and the report of earnings and dividends
for the period ending December 31, 1934, of The First and
Merchants National Bank of Middletown did not appear to re-
fect 'any correction with respect to depreciation in securi-
ties of the lower grades', and that, upon making inquiry of
the bank, you were informed that the bank did not intend to
imply in its correspondence with you that the depreciation
in securities not of the four highest grades had been
charged off.

In the circumstances and since it is understood that
The First and Merchants National Bank of Middletown has com-
plied with the requirements now being prescribed in connec-
tion with the issuance of limited voting permits relative to
the elimination of depreciation in stocks and defaulted se-
curities and all losses in other assets, as set forth fully
in the Board's letter of January 15, 1935 (X-9091), it is
felt that no further action is required in the matter at this
time."

Approved.
Letter dated February 12, 1935, approved by four members of the Board to Mr. Irland McK. Beckman, Deputy Secretary of Banking of the State of Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of January 24, 1935, inclosing a copy of your letter of January 23, 1955, addressed to Mr. J. J. Thomas, Vice-Governor of the Federal Reserve Board, indicating that you would like to confer with the Board or its representatives regarding certain questions which have recently arisen with respect to the capital and surplus requirements for the exercise of fiduciary powers by national banks in the State of Pennsylvania.

"The views of the Federal Reserve Board with respect to the capital and surplus required of national banks applying for permission to exercise trust powers and with respect to the necessity for a national bank to obtain the permission of State authorities before exercising such powers were set forth in detail in a letter from Mr. Thomas to your department under date of December 6, 1954. However, the Board will be glad for representatives of your department to discuss this matter further with representatives of the Federal Reserve Board at such time as may be mutually convenient. It will be appreciated, therefore, if you will advise the Board of the date upon which representatives of your department would prefer to be in Washington for this purpose."

Approved.

Letter dated February 12, 1935, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of January 28, 1955, regarding the procedure to be followed in advising the Reconstruction Finance Corporation of the approval or disapproval by the Federal Reserve Board of plans for reduction in capital submitted by State member banks which are subject to a condition of membership requiring the Board's approval of a reduction in capital.

"In accordance with a request from the Reconstruction Finance Corporation, the Corporation has been advised which of the State member banks in which the Corporation has an investment or is committed to make an investment are subject to a condition of membership requiring the Board's approval of a capital reduction. It is understood that the
"Reconstruction Finance Corporation will advise each of its Loan Agencies of the names of such banks in the respective districts and that the Reconstruction Finance Corporation will refer to the Board for approval of proposed reductions in capital only plans of banks subject to a condition of membership requiring the Board's approval of a reduction. It is understood, also, that in order to expedite the consideration of such plans of capital reduction of State member banks requiring the Board's approval, the Reconstruction Finance Corporation will advise its Loan Agencies that all such plans submitted to the Loan Agencies should be promptly submitted to the Federal Reserve Agents and that plans submitted to the Reconstruction Finance Corporation at Washington will likewise be submitted to the Federal Reserve Agents.

"The Reconstruction Finance Corporation has also been advised that the Federal Reserve Agents have been authorized in the circumstances and within the limitations described in the Board's letter dated December 15, 1934, (X-9048) to approve on behalf of the Board reductions of capital notes or debentures or preferred stock issued by State member banks in any case where the Board's approval of such reduction is required.

"In order to expedite the handling of requests for approval of capital reductions of State member banks in which the Reconstruction Finance Corporation has an interest and which are subject to a condition of membership requiring the Board's approval of a reduction in capital, it is suggested that the following procedure be followed in all cases, whether requests are received from the banks concerned or are transmitted through the Loan Agencies of the Reconstruction Finance Corporation:

"In cases where you are authorized under the provisions of the Board's letter X-9048 to act on behalf of the Board, it is suggested that you advise the Reconstruction Finance Corporation of your action in the matter, sending the original of your letter to the Reconstruction Finance Corporation at Washington and a copy to the Loan Agency.

"In cases where you are not authorized under the provisions of the Board's letter X-9048 to act on behalf of the Board, it is suggested that you forward the request outlining the plan to the Board, together with your recommendation in the matter. You will, of course, be advised of the Board's action in the matter and, in accordance with the suggestion of the Reconstruction Finance Corporation, advice of the Board's action in the matter will also be transmitted to the Reconstruction Finance Corporation at Washington rather than to the Loan Agency of the Corporation."
Although the procedure outlined above contemplates that formal approval will be given only in case of banks subject to the condition of membership requiring the Board's approval of the capital reduction, it is expected, as requested in the Board's letter of December 15, 1934 (X-9048), that you will endeavor to keep yourself informed as to any proposed reductions in the capital stock or capital notes or debentures of State member banks, whether the Board's approval is required in such cases or not, and to take such action as may be appropriate in any case where the proposed reduction would not be to the best interests of the bank.

Approved, together with a letter, also dated February 12, 1935, and approved by four members of the Board, to all Federal reserve agents, reading as follows:

"The Board has been advised that the Reconstruction Finance Corporation has adopted the policy of requiring the written approval of the various supervisory authorities at interest before the directors of the Reconstruction Finance Corporation consider requests for approval of capital reductions submitted by banks in which the Corporation has a financial interest. It is understood that the various Loan Agencies have been advised by the Reconstruction Finance Corporation that in the case of State member banks the instructions have reference to approvals of the plans by the State Banking Departments and the Federal Reserve Board.

"The procedure to be followed in order to expedite the handling of such cases has been discussed with the Reconstruction Finance Corporation and for your information and guidance there is inclosed a copy of a letter sent today to the Federal Reserve Agent at New York with regard to such procedure."

Letter to the Federal reserve agents at all Federal reserve banks, reading as follows:

"It has been observed that in numerous instances the reports which have been made with regard to apparent violations of section 22(g) involved comparatively small amounts and in many instances involved violations which apparently resulted from ignorance or misunderstanding of the law. It also appears that when violations of this section are called to the attention of the banks and executive officers involved the unlawful loans or extensions of credit usually are eliminated promptly. In view of these circumstances, the Board has decided that the procedure which has heretofore been fol-
"lowed with regard to reports of apparent violations of section 22(g) involving State member banks should be revised.

"In the future, when an apparent violation of section 22(g) comes to your attention and it does not appear that it was committed knowingly or as a result of a willful disregard of the provisions of the law, you are requested to call the attention of the bank and the executive officer involved to the applicable provisions of the law and the penalties for violations thereof and to suggest that immediate steps be taken to eliminate the unlawful loans or extensions of credit involved and to advise you of the action taken. If such correction is effected within a reasonable time, you need not report the matter to the local United States District Attorney. However, if the matter is not corrected within a reasonable time, you should report the facts to the local United States District Attorney and to the Board, in accordance with the usual procedure. In any case where a correction is effected, please advise the Board for its information and records of the circumstances involved in the case and the correction obtained. If an apparent violation of section 22(g) involving a State member bank located in another district should come to your attention, you should call the matter to the attention of the Federal Reserve Agent in that district for attention in accordance with the procedure herein outlined.

"The revised procedure described above is intended to be followed by Federal Reserve Agents where it appears that the violation resulted from inadvertence or from ignorance or misunderstanding of the law. If the Federal Reserve Agent feels that the violation was committed knowingly or as a result of a willful disregard of the provisions of the law, he should report the facts to the local United States District Attorney and to the Federal Reserve Board in the usual manner without waiting to take the matter up with the bank involved.

"In order to avoid unnecessary correspondence with regard to apparent violations of the provisions of section 22(g) disclosed by reports of examinations and analyses of such reports forwarded to the Federal Reserve Board, it will be appreciated if you will indicate in connection with such reports and analyses, when you forward them to the Board, whether any apparent violations of section 22(g) which may appear therein have been corrected, and, if not, what steps are being taken to obtain corrections.

"In order not to encourage any disregard of the provisions of section 22(g), this letter should be held in the strictest confidence.

"In view of the difficulties which have arisen in administering this section of the law, the Federal Reserve Board has
recommended that it be amended in several respects; and there are inclosed for your information a copy of a letter on this subject which the Board addressed to the Chairman of the Committee on Banking and Currency of the United States Senate under date of January 14, 1935, and a copy of a proposed bill incorporating the proposed amendments."

Approved.

Letter dated February 12, 1936, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of February 4, 1935, concerning the Clayton Act permit granted June 2, 1934, to Mr. J. C. Nelson, Spearfish, South Dakota, to serve as director and officer of the Bank of Spearfish, Spearfish, and The First National Bank of Philip, Philip, both of South Dakota, which permit was to be reviewed by you on February 1, 1935, particularly with respect to attendance at directors' meetings of The First National Bank of Philip.

"In view of your recommendation and in accordance with the policy adopted by the Board and set forth in its letter of January 9, 1935 (X-3082), the Board is willing to allow the permit granted to Mr. Nelson to continue in effect."

Approved.

Letter dated February 12, 1935, approved by four members of the Board, to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to the applications of Messrs. B. M. Athey, R. G. Athey, and G. W. Athey, all of Enid, Oklahoma, for permission under the provisions of the Clayton Act to serve at the same time as directors and officers of 'The Security National Bank of Enid', Enid, and 'The First National Bank of Hennessey', Hennessey, both of Oklahoma.

"The Board's files indicate that these three individuals were granted permits on July 27, 1934, to serve as directors and officers of Security Bank & Trust Company, Enid, and The First National Bank of Hennessey, Hennessey, both of Oklahoma. New applications apparently were filed by them because of the fact that the Security Bank & Trust Company was converted into The Security National Bank of Enid effective at the close of
"December 31, 1934.
"The Board has heretofore held that a person who has received permission to serve a State bank which subsequently converts into a national bank may continue to serve such bank without a new permit from the Board. Consequently, it appears that new permits in these cases are unnecessary. Please advise the applicants accordingly."

Approved.

Letter dated February 12, 1935, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has reconsidered the Clayton Act application of Mr. William Stern and has issued a permit as follows:

Mr. William Stern, to serve at the same time as a director and officer of The Dakota National Bank of Fargo, Fargo, North Dakota, as a director of the Bank of Steele, Steele, North Dakota, and as a director and officer of the Bank of Sargent County, Forman, North Dakota, for the period ending January 14, 1936.

Approved.

Letters dated February 12, 1935, approved by four members of the Board, to applicants for permits under the Clayton Act advising respectively of the issuance by the Board of permits as follows:

Mr. James Lees, to serve at the same time as a director of the Allegheny Valley Trust Company, Verona, Pennsylvania, and as a director of The First National Bank of Leechburg, Leechburg, Pennsylvania, for the period ending January 14, 1936.

Mr. William Walkinshaw, to serve at the same time as a director of the Blairsville Savings and Trust Company, Blairsville, Pennsylvania, and as a director of The First National Bank of Leechburg, Leechburg, Pennsylvania, for the period ending January 14, 1936.

Mr. E. S. Welch, to serve at the same time as a director of The City National Bank of Shenandoah, Shenandoah, Iowa, and
as a director and officer of the State Savings Bank, Sharpsburg, Iowa, for the period ending January 14, 1936.

Approved.

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

<table>
<thead>
<tr>
<th>Applications for ADDITIONAL Stock:</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>District No. 1</strong></td>
<td></td>
</tr>
<tr>
<td>The North Berwick National Bank,</td>
<td>27</td>
</tr>
<tr>
<td>North Berwick, Maine</td>
<td></td>
</tr>
<tr>
<td>Webster National Bank,</td>
<td>3</td>
</tr>
<tr>
<td>Webster, Massachusetts</td>
<td></td>
</tr>
<tr>
<td>Farmington National Bank,</td>
<td>3</td>
</tr>
<tr>
<td>Farmington, New Hampshire</td>
<td></td>
</tr>
<tr>
<td><strong>District No. 2</strong></td>
<td></td>
</tr>
<tr>
<td>Glen Ridge Trust Company,</td>
<td>60</td>
</tr>
<tr>
<td>Glen Ridge, New Jersey</td>
<td></td>
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<tr>
<td>The State Trust Company,</td>
<td>11</td>
</tr>
<tr>
<td>Plainfield, New Jersey</td>
<td></td>
</tr>
<tr>
<td><strong>District No. 4</strong></td>
<td></td>
</tr>
<tr>
<td>The First-Mason Bank,</td>
<td>3</td>
</tr>
<tr>
<td>Mason, Ohio</td>
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<tr>
<td>The Newark Trust Company,</td>
<td>120</td>
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<td>Newark, Ohio</td>
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</tr>
<tr>
<td>The Rittman Savings Bank,</td>
<td>2</td>
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<tr>
<td>Rittman, Ohio</td>
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<tr>
<td>The Ohio Citizens Trust Company,</td>
<td>50</td>
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<tr>
<td>Toledo, Ohio</td>
<td></td>
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<tr>
<td>The Wakeman Bank Company,</td>
<td>9</td>
</tr>
<tr>
<td>Wakeman, Ohio</td>
<td></td>
</tr>
<tr>
<td>Dormont Savings &amp; Trust Company,</td>
<td>1</td>
</tr>
<tr>
<td>Dormont, Pennsylvania</td>
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</tr>
<tr>
<td>Homewood Bank at Pittsburgh,</td>
<td>15</td>
</tr>
<tr>
<td>Pittsburgh, Pennsylvania</td>
<td>180</td>
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<tr>
<td><strong>District No. 5</strong></td>
<td></td>
</tr>
<tr>
<td>The Wilmington Savings &amp; Trust Company,</td>
<td>30</td>
</tr>
<tr>
<td>Wilmington, North Carolina</td>
<td></td>
</tr>
<tr>
<td>The Tryon Bank and Trust Company,</td>
<td>3</td>
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<tr>
<td>Tryon, North Carolina</td>
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</tr>
<tr>
<td>Bank of Powhatan, Inc.,</td>
<td>1</td>
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<tr>
<td>Powhatan, Virginia</td>
<td></td>
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<tr>
<td>Baltimore National Bank,</td>
<td>60</td>
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<tr>
<td>Baltimore, Maryland</td>
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</table>
### District No. 5 (Continued)

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Shares</th>
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</thead>
<tbody>
<tr>
<td>The Canton National Bank, Canton, (P. O. Baltimore)</td>
<td>105</td>
</tr>
<tr>
<td>The Catonsville National Bank, Catonsville, Maryland</td>
<td>3</td>
</tr>
<tr>
<td>The First National Bank of Chestertown, Chestertown</td>
<td>6</td>
</tr>
<tr>
<td>The First National Bank of Westminster, Westminster</td>
<td>3</td>
</tr>
<tr>
<td>The First National Bank of Leakesville, Leakesville</td>
<td>1</td>
</tr>
<tr>
<td>National Bank of Wilson, Wilson, North Carolina</td>
<td>15</td>
</tr>
<tr>
<td>The South Carolina National Bank of Charleston,</td>
<td>195</td>
</tr>
<tr>
<td>Charleston, South Carolina</td>
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</tr>
<tr>
<td>The Peoples National Bank of Conway, Conway, South</td>
<td>6</td>
</tr>
<tr>
<td>Carolina</td>
<td></td>
</tr>
<tr>
<td>The Peoples National Bank of Rock Hill, Rock Hill,</td>
<td>30</td>
</tr>
<tr>
<td>South Carolina</td>
<td></td>
</tr>
<tr>
<td>The Citizens National Bank of Bedford, Bedford,</td>
<td>9</td>
</tr>
<tr>
<td>Virginia</td>
<td></td>
</tr>
<tr>
<td>The Peoples National Bank of Pulaski, Pulaski,</td>
<td>30</td>
</tr>
<tr>
<td>Virginia</td>
<td></td>
</tr>
<tr>
<td>First National Bank in Fairmont, Fairmont, West</td>
<td>30</td>
</tr>
<tr>
<td>Virginia</td>
<td></td>
</tr>
<tr>
<td>The National Bank of Keyser, Keyser, West Virginia</td>
<td>3</td>
</tr>
<tr>
<td>The First National Bank of Parsons, Parsons, West</td>
<td>8</td>
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<tr>
<td>Virginia</td>
<td>538</td>
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</table>

### District No. 7

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Shares</th>
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<tbody>
<tr>
<td>The Casey National Bank, Casey, Illinois</td>
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<tr>
<td>The Charleston National Bank, Charleston, Illinois</td>
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</tr>
<tr>
<td>The First National Bank in Humboldt, Humboldt,</td>
<td>6</td>
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<tr>
<td>Iowa</td>
<td>15</td>
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</table>

### District No. 8

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>The City National Bank of Fort Smith, Fort Smith,</td>
<td>50</td>
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<tr>
<td>Arkansas</td>
<td></td>
</tr>
<tr>
<td>The First National Bank of Lawrence County at</td>
<td>6</td>
</tr>
<tr>
<td>Walnut Ridge, Walnut Ridge, Arkansas</td>
<td></td>
</tr>
<tr>
<td>The First National Bank in Columbia, Columbia,</td>
<td>2</td>
</tr>
<tr>
<td>Illinois</td>
<td></td>
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<tr>
<td>The National Stock Yards National Bank of National</td>
<td>90</td>
</tr>
<tr>
<td>City, National Stock Yards, Illinois</td>
<td></td>
</tr>
</tbody>
</table>
Applications for ADDITIONAL Stock: (Continued) Shares

District No. 3 (Continued)
The First National Bank of Louisville, Louisville, Kentucky 300

The First National Bank of Cape Girardeau, Cape Girardeau, Missouri 21 449

District No. 2
The First National Bank of Roseau, Roseau, Minnesota 6 6

Total 1292

Applications for SURRENDER of Stock:

District No. 1
The Randolph National Bank, Randolph, Vermont 22 22

District No. 5
The Second National Bank of Hagerstown, Hagerstown, Maryland 62 62

Total 84

Approved.

Thereupon the meeting adjourned.


governor.

Approved:

Secretary.