

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, February 25, 1935, at 11:30 a. m.

PRESENT: Mr. Eccles, Governor
Mr. Hamlin
Mr. James
Mr. Szymczak

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

The Committee acted upon the following matters:

Telegram dated February 23, 1935, approved by three members of the Board, to Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, reading as follows:

"Your telegram. Board approves for your bank, effective immediately, rate of from 4% to 6% per annum, to be fixed by executive committee your bank in each individual case, on direct advances to established industrial or commercial businesses under section 13b of Federal Reserve Act."

Approved.

Memorandum dated February 20, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the temporary appointment of Miss Anita Dunlap as a comptometer operator in that division, with salary at the rate of \$120 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved.

Memorandum dated February 16, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending the temporary appointment for a period not exceeding six months of Mr. Edgar B. Barton, as a file clerk in the division, with salary at the rate of \$1,440 per annum, effective as of February 25, 1935, subject to his passing a satisfactory physical examination in connection with his admission to membership in the

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Retirement System. The recommendation was approved by five members of the Board on February 23, 1935.

Approved.

Letter to "The Union National Bank of New Albany", New Albany, Indiana, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Indiana, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course.

"The Board feels that, if you are tendered any of the trusts now held by the New Albany Trust Company, you should carefully scrutinize their condition and should not accept any of such trusts which, through their assumption, may be detrimental to the interests of your institution. In this connection, particular reference is made to any such trusts the assets of which include investments purchased from, or through the agency of, the trust company, and in which there may be contingent liabilities or losses."

Approved.

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

"Reference is made to the Board's letter of July 5, 1934, addressed to the Federal Reserve Agent at Kansas City, a copy of which was sent to you, in regard to the application of the 'National Bank of Commerce of Lincoln', Lincoln, Nebraska, for permission to exercise fiduciary powers, from which it will be noted that the Board deferred action on the

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"application until advice had been received that the bank's capital structure had been increased to an amount which can be regarded as adequate as compared with the volume of deposits.

"In this connection, there is transmitted herewith a letter from the Assistant Federal Reserve Agent at Kansas City, dated February 11, 1935, recommending that the application be reconsidered. The Board will, therefore, give consideration to the application for full fiduciary powers, and, in view of the information contained in the attached letter, would be pleased to receive your further recommendation in the premises.

"Kindly return the attached papers with your reply."

Approved.

Telegram dated February 23, 1935, approved by four members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Ruling No. 41 interpreting Regulation T. Announcement has been made that the New York Produce Exchange, which is now a national securities exchange, will discontinue its Securities Division in the near future. At that time all securities, including certain bank stocks, which are now 'registered securities' solely because of the fact that they are listed on that Exchange, or have unlisted trading privileges thereon, will cease to be 'registered securities' as defined in Regulation T. In these circumstances the Federal Reserve Board has been asked whether such of these securities as are at that time being carried for customers by brokers and dealers subject to Regulation T may continue to be so carried and what 'loan value', if any, such securities will have under the regulation.

"In reply the Board points out that under section 5(c) of Regulation T, the creditor is given express permission to retain, until July 1, 1937, as collateral for any credit initially extended prior to October 1, 1934, or extended in conformity with the regulation, any collateral whatsoever, including unregistered non-exempted securities, provided that the collateral other than exempted or registered securities shall not be the basis of any additional extension of credit and shall be given no value in determining the maximum loan value of the securities in the account. The Securities Exchange Act of 1934 and the regulations issued thereunder do not require liquidation in consequence of the action of the New York Produce Exchange, inasmuch as they do not force a broker or

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"dealer to sell, or to compel his customers to sell, securities which cease to be 'registered securities'. It is to be noted, furthermore, that no provision of the Securities Exchange Act of 1934 or of any regulation issued thereunder has imposed any restrictions on the amount of credit that may be extended on such securities by any bank which is not a member of a national securities exchange.

"The Board calls attention to the possibility that in the circumstances recited the securities in certain accounts may no longer have loan value equal to or greater than the adjusted debit balance of the account, so that such accounts will become 'restricted accounts' and will accordingly become subject to the provisions of Regulation T relating to such accounts."

Approved.

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

"Reference is made to Mr. Young's letter of January 18 with the inclosed application of The First Capital National Bank of Iowa City, Iowa, for 18 additional shares of stock of the Federal Reserve Bank of Chicago.

"On July 21, 1934, the Board approved an application of the subject bank for 6 additional shares of Federal Reserve bank stock, on the basis of which its holdings of such stock would have been increased from 84 shares to 90 shares. The instant application, however, shows that the bank now holds only 87 shares of Federal Reserve bank stock, and in this connection it is noted that the exhibit attached to the certificate of increase in the capital stock of your bank for the six months' period ended December 31, 1934, received with your letter of January 17, shows that 3 shares of Federal Reserve bank stock were issued to The First Capital National Bank of Iowa City on July 25, 1934. In the circumstances, it appears that the remaining 3 shares covered by the Board's approval of July 21, 1934, were not issued to the bank, and on this assumption, the Board approves the present application of The First Capital National Bank of Iowa City, Iowa City, Iowa, for 18 additional shares of Federal Reserve bank stock.

"In order that our records of Federal Reserve bank stock holdings may be correct, it is requested that the Board be advised whenever, because of a reduction in a member bank's capital and surplus below that shown in its application for Federal Reserve bank stock, the number of shares of additional Federal Reserve bank stock issued to a member bank is less

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"than the number approved by the Board."

Approved.

Letter to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, prepared in accordance with the action taken at the meeting of the Board on February 13, 1935, and reading as follows:

"The Board has given consideration to the Clayton Act applications of the following individuals to serve the banks named and in the capacities indicated in their respective applications:

James E. Gowen
C. Jared Ingersoll
William W. Bodine
W. W. Atterbury
Arthur C. Dorrance
George Stuart Patterson
Albert A. Jackson

and, upon the basis of the information before it, the Board feels that the issuance of the permits applied for would be incompatible with the public interest. You are requested to advise the applicants of the Board's position in the matter unless there are pertinent facts which have not heretofore been submitted and which you feel should be given consideration.

"Please inform the above-named applicants that the Board's action upon their applications was based upon the fact that the Philadelphia banks involved appear to be engaged in the same class or classes of business 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 these applications since no other facts have been brought to its attention which would make it compatible with the public interest to issue the permits. In this connection, reference is made to the Board's letter of January 9, 1935, (X-9082).

"In communicating with these applicants, please advise them that, in accordance with Section V (g) of Regulation L, consideration will be given to any additional facts or

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"arguments not heretofore submitted and not appearing in their applications and accompanying forms which they feel should be brought to the Board's attention. Please advise the Board promptly as to whether these individuals 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.

"You are authorized also to inform Mr. Dorrance that, if he so desires, he may by letter amend his application to exclude therefrom the Girard Trust Company of Philadelphia, and that upon receipt from him of such amendment, accompanied by appropriate evidence of the severance of his connection with Girard Trust Company of Philadelphia, the Board will give consideration to such amended application. The amendment and any additional information submitted by the applicant in connection therewith should be forwarded to the Board with your recommendation. It is suggested that you satisfy yourself that the applicant is not now connected with any corporation or partnership (other than a mutual savings bank) which makes loans on the security of stock or bond collateral and that he is not connected with any firm the activities of which come within the provisions of Section 32 of the Banking Act of 1933, or, if so, that the applicant's relationships have been brought into conformity with the requirements of that section, and that you advise the Board accordingly when submitting the request for such amendment. If, however, Mr. Dorrance elects to sever his connection with The Philadelphia National Bank, further consideration of his Clayton Act application will be unnecessary since that Act will not apply to his relationship to the two trust companies.

"You are advised that the permit issued by the Board to Mr. W. W. Atterbury on April 24, 1928, covering his services to Continental National Bank and Trust Company, Chicago, Illinois, The Philadelphia National Bank, Philadelphia, Pennsylvania, and National Bank of Commerce in New York (which converted into a state institution under the title of Bank of Commerce in New York, on April 5, 1929, and merged with the Guaranty Trust Company of New York, on May 4, 1929) is apparently effective in respect to his services to The Philadelphia National Bank of Philadelphia and Guaranty Trust Company of New York. It is suggested that you advise Mr. Atterbury accordingly. In this connection it is understood that Mr. Atterbury's service with these two institutions or their successors has been continuous since the issuance of the permit on April 24, 1928, although he has resigned from the Chicago bank.

"As you are aware, Mr. George Stuart Patterson is at present serving Central-Penn National Bank of Philadelphia and Bank of the Manhattan Company, New York, under a permit issued

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"by the Board on October 13, 1930. While the Board has not approved Mr. Patterson's application, dated November 17, 1933, covering his services to Girard Trust Company, Philadelphia, Central-Penn National Bank of Philadelphia and Bank of the Manhattan Company, New York, because the two Philadelphia banks appear to be in competition, it will not give consideration to the revocation of the permit granted Mr. Patterson on October 13, 1930, and he is at liberty to serve Central-Penn National Bank of Philadelphia and Bank of the Manhattan Company, New York, under the authority of the existing permit. It is suggested that you advise Mr. Patterson accordingly. A copy of this letter is being sent to Federal Reserve Agent Case at the Federal Reserve Bank of New York for his information and files.

"In reviewing Mr. Patterson's current application, it was noted also that he was serving as a director of the Ajax Investment Corporation, Philadelphia, Pennsylvania. While the Board does not have detailed information regarding the character of the business of this corporation, it appears possible that the provisions of Section 32 of the Banking Act of 1933 may be applicable in connection with Mr. Patterson's service to such corporation and the member banks involved. If upon investigation you find that this relationship comes within the provisions of Section 32, you are requested to advise Mr. Patterson of the requirements of that section and to notify him that he may file an application for a permit covering such service. Of course, if upon consideration of the facts involved, with the advice of your counsel, you are unable to determine whether such service comes within the provisions of Section 32, the Board, upon receipt of full information, will be glad to rule upon the matter. Please advise the Board of your action in this connection.

"As you are further aware, Mr. Albert A. Jackson was granted a permit September 15, 1916, to serve as director of Central National Bank of Philadelphia (now Central-Penn National Bank of Philadelphia) and as officer of Girard Trust Company. While the Board has not approved Mr. Jackson's application dated August 7, 1934, it has not taken steps to revoke the permit heretofore issued to him. It is suggested that you advise Mr. Jackson accordingly."

Approved.

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

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"Reference is made to your letter of February 12, 1935, with inclosures, submitting the request of Mr. Tasker G. Lowndes, Cumberland, Maryland, for further consideration of his Clayton Act permit to serve at the same time as director and officer of The Second National Bank of Cumberland, Cumberland Savings Bank, both of Cumberland, Maryland and The Lowndes Savings Bank and Trust Company, Clarksburg, West Virginia, which permit was granted October 10, 1934, for the period ending at the close of December 31, 1934.

"The Board has given further consideration to this case and, since control of the three banks involved appears to be owned by the Lowndes family, has granted a permit for the period ending January 14, 1936, in accordance with the policy set forth in its letter of January 9, 1935, (X-9082). There are inclosed the original and copies of the permit granted to Mr. Lowndes for transmittal by you to the applicant and the banks involved and a copy for your files.

"When the permit is sent to the applicant and copies thereof to the banks involved, please advise them that the permit has been issued so as to expire at the close of January 14, 1936, as there is now pending before the Congress proposed legislation for the purpose of clarifying and otherwise amending the provisions of the Clayton Act relating to interlocking bank directorates."

Approved.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of February 7, 1935, submitting the request of Mr. Lawrence Taylor, Jackson, Tennessee, for an amendment to his Clayton Act application for permission to serve at the same time as director of The First National Bank of Jackson, as director and officer of the Jackson Bank & Trust Company, and as director of The National Bank of Commerce of Jackson, all of Jackson, Tennessee.

"It is noted that, in accordance with the suggestion contained in the Board's letter of January 30, 1935, Mr. Taylor has severed his connection with The National Bank of Commerce of Jackson.

"Accordingly, the Board has given consideration to Mr. Taylor's amended application and there are inclosed the original and copies of a Clayton Act permit covering his services as director of The First National Bank of Jackson and as director and officer of Jackson Bank & Trust Company,

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"for transmittal by you to the applicant and the banks involved, and a copy for your files.

"When the permit is sent to Mr. Taylor and copies thereof to the banks involved, please advise them that the permit has been issued so as to expire at the close of January 14, 1936, as there is now pending before the Congress proposed legislation for the purpose of clarifying and otherwise amending the provisions of the Clayton Act relating to interlocking bank directorates."

Approved.

Letters to applicants for permits under the Clayton Act advising respectively of the issuance by the Board of permits as follows:

Mr. Benjamin W. Guernsey, to serve at the same time as a director of The Wellesley National Bank, Wellesley, Massachusetts, as a director of the Springfield National Bank, Springfield, Massachusetts, and as a director of the Newton Trust Company, Newton, Massachusetts, for the period ending January 14, 1936.

Mr. Otto S. Martin, to serve at the same time as a director of The First National Bank of Belleville, Belleville, New Jersey, and as a director and officer of The Montclair National Bank, Montclair, New Jersey, for the period ending January 14, 1936.

Mr. Chester C. Slaybaugh, to serve at the same time as an officer of the Central National Bank of Yonkers, Yonkers, New York, and as a director of The First National Bank of Ardsley, Ardsley, New York, for the period ending January 14, 1936.

Mr. R. H. Dickenhorst, to serve at the same time as a director and officer of The First State Bank, Morrilton, Arkansas, and as a director of the Union National Bank of Little Rock, Little Rock, Arkansas, for the period ending January 14, 1936.

Mr. Moorhead Wright, to serve at the same time as a director of the Union National Bank of Little Rock, Little Rock, Arkansas, as a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis, and as a director and officer of the Southwest Joint Stock Land Bank, Little Rock, Arkansas, for the period ending January 14, 1936.

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Mr. E. A. Wiggernhorn, to serve at the same time as a director and officer of the Farmers and Merchants National Bank, Ashland, Nebraska, as a director and officer of the Frenchman Valley Bank, Palisade, Nebraska, and as a director and officer of The First National Bank of Hayes Center, Hayes Center, Nebraska, for the period ending January 14, 1936.

Mr. C. A. Martin, to serve at the same time as a director of The Menard National Bank, Menard, Texas, and as a partner of the Commercial Bank (Unincorporated), Mason, Texas, for the period ending January 14, 1936.

Mr. Vern Wisdom, to serve at the same time as an officer of The First National Bank of Panhandle, Panhandle, Texas, and as an officer of the Panhandle Bank, Panhandle, Texas, for the period ending January 14, 1936.

Approved.

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

<u>Application for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u> Isabella County State Bank, Mount Pleasant, Michigan.	36	36
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 3.</u> The First National Bank of Williamsport, Williamsport, Pennsylvania.	60	60
<u>District No. 6.</u> The National Bank of Athens, Athens, Georgia.	180	180
<u>District No. 11.</u> The First National Bank of Artesia, Artesia, New Mexico.	30	30
	<hr/> Total	<hr/> 270

Approved.

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Thereupon the meeting adjourned.

Chester Merrill
Secretary.

Approved:

W. S. ...
Governor.