

A meeting of the Federal Reserve Board was held in Washington on Tuesday, March 5, 1935, at 12:30 p. 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

There was presented a telegram to Governor Harrison of the Federal Reserve Bank of New York and Governor Schaller of the Federal Reserve Bank of Chicago, prepared in accordance with the action taken at the meeting of the Federal Reserve Board yesterday, and reading as follows:

"This refers to various telephone conversations between officers of your banks and Board members during past week with regard to proposed industrial advance to Hudson Motor Car Company under section 13b and to fact that action was deferred because of question raised as to advisability of participation in transaction in which Kuhn, Loeb & Company would receive large stock bonus from Hudson Company, most of which would be in consideration of participation of that firm in the financing. Board has carefully considered modified plan under which Kuhn, Loeb & Company and others would receive reimbursement for out-of-pocket expenses and a 30 day option to buy 31,250 shares of Hudson Company stock at 50 cents a share, which is far below present market price. Board feels that modification is one of form rather than of substance and that it would be inadvisable for Federal reserve banks to participate in transaction on such basis. However, inasmuch as your banks apparently feel morally committed to make advance and as Board understands that you consider that loan would be sound from credit standpoint and in accordance with law and regulations, it appears that your banks have legal right to make advance under plan stated, and therefore it would seem that, in view of all circumstances involved, your banks could make the entire loan without participation by an outside institution. It is understood that

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"the two Federal reserve banks are willing to take \$4,200,000 of the proposed \$6,000,000 advance. If the Federal Reserve Bank of Chicago would make direct loan of \$6,000,000, Federal Reserve Bank of New York could rediscount a portion thereof without recourse and thereby eliminate payment of a bonus. In such case upon request Board will grant permission pursuant to section 11(b) of Federal Reserve Act for rediscount with Federal Reserve Bank of New York of such portion of advance as may be agreed upon. Board hopes it may be possible for credit to be arranged in order to avoid situation which might result if funds are not made available to motor company. It is requested that your board of directors reconsider this matter in light of views expressed herein and that you advise the Board of their views before final action is taken."

Approved, Mr. Miller voting "no".

In explanation of his vote Mr. Miller stated that he was in agreement with the position taken in the telegram, with regard to the payment of a bonus to Kuhn, Loeb & Company and associates but felt that after stating that position it should be confined to an expression of the belief that the banks should continue their efforts to effect a satisfactory arrangement under which the advance could be made, without indicating the manner in which that objective might be achieved. A substitute draft prepared by Dr. Miller was placed in the Board's files.

The Board then acted upon the following matters:

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

"Reference is made to Mr. Dillistin's letter of February 19, 1935, transmitting copies of the correspondence between your office and officers of the 'Linden Trust Company', Linden, New Jersey, regarding eliminations of estimated losses and depreciation and rehabilitation of the bank's capital structure.

"The report of examination of the bank as of May 29, 1934, the latest report available, indicates that after allowance for estimated losses, doubtful assets and depreciation in securities, the bank had a net sound capital of approximately \$123,000 as compared with deposits of \$2,547,000. It is noted

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"that the Reconstruction Finance Corporation has agreed to purchase \$100,000 preferred stock in the bank and that on December 21, 1934, the president of the bank advised you that, so far as the Linden Trust Company was concerned, there was nothing obstructing the consummation of the transaction and that the Board of Directors and officers of the bank were ready and willing to complete the issuance of the preferred stock at any time.

"Inclosed with Mr. Dillistin's letter of February 19, 1935, however, was a copy of a letter addressed by Mr. Gidney to the president of the bank dated January 25, 1935, urging the bank to take the necessary steps to complete the transaction and stating that the local agency of the Reconstruction Finance Corporation had advised that further steps in the transaction were dependent upon action by the bank.

"On the basis of the information available, it is apparent that the strengthening of the capital is highly desirable. Since it appears that the funds can not be disbursed until the necessary action has been taken by the bank, it will be appreciated if you will continue your efforts to have the bank proceed with its capital program and if you will keep the Board advised of the progress which is being made in this connection."

Approved.

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

"Since there is now pending before Congress proposed legislation for purpose of amending provisions of Clayton Act relating to interlocking bank directorates, Board suggests that you defer for time being submission of reports, pursuant to Board's letter of May 1, 1933 (X-7426), containing recommendations based on annual review of outstanding Clayton Act permits issued to applicants in your district. In this connection, however, it is requested that you furnish a list of all Clayton Act permits, exclusive of those having a fixed expiration date, which, according to your records, are outstanding in your district, giving the date of issuance, name of permittee, names of banks involved and character of service authorized, indicating whether or not any such permits have been rendered ineffective because of consolidation of institutions involved, resignation or death of permittee, or for any other reason."

Approved.

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

"This is in reply to a letter dated January 16, 1935, written by Mr. Edward H. Osgood, Assistant Federal Reserve Agent of the Federal Reserve Bank of Boston. Mr. Osgood asks two questions involving the Board's Regulation T and the following circumstances. A broker has indicated that one of his customers, having an account designated as an 'old account' under section 7(a) of Regulation T, wishes to sell a bond which is now in the account and simultaneously to purchase some other bond. The selling price of the bond sold is assumed to be the same as the purchase price of the bond purchased, but either because of a difference in interest rates or in coupon payment dates, the accrued interest to be paid exceeds the accrued interest to be received so that when the two amounts are respectively credited and debited, the debit and consequently the adjusted debit balance of the 'old account' are accordingly increased. The absence of further transactions and of other material facts is also assumed.

"In answer to Mr. Osgood's first question, it is the opinion of the Board that in effecting the transactions outlined, the broker would violate section 7(a) of Regulation T inasmuch as the adjusted debit balance of the 'old account' would be increased and any such increase is prohibited by the second proviso of section 7(a).

"The second question which Mr. Osgood asks is whether the broker is required to treat the account as a new account because of the increased debit. There is nothing in Regulation T or in any ruling of the Board which requires the broker to terminate the status of the account as an 'old account'. The broker, however, may take such action if he desires to do so. In the case here presented the contemplated transaction, involving as it does an increase in the debit balance, could properly be effected only if the status of the account as an old account were relinquished and then, of course, only in accordance with the provisions of the regulation which relate to transactions in 'combined accounts'."

Approved.

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

"This refers to your letter of January 9, 1935 sent to

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"the Board as 'F.R.A.N.Y. Inquiry No. 18 re Regulation T' and to Inquiry No. 43 of the New York Stock Exchange, copies of which were inclosed with your letter. Your letter and the inquiry received from the New York Stock Exchange deal with the transfer of a restricted account by one customer of a broker to another customer of the same broker, the debit balance of the account remaining unchanged. The Stock Exchange asks whether under Regulation T such a transfer is permitted in the case of a restricted new account and, in the event that the answer to this question is in the affirmative, asks further whether a restricted 'old account' may be so transferred and still retain its status as an 'old account'.

"The Board has noted your suggestion that it should consider the advisability of amending Regulation T to permit transfers of accounts between customers but does not at this time indicate any opinion with respect to the questions presented by the Stock Exchange inasmuch as a telephone conversation with Mr. Norman P. Davis of your bank has confirmed our understanding that your letter is not intended as a request for rulings on such questions."

Approved.

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

"Reference is made to Mr. Anderson's letter dated February 23, 1935, with which was inclosed a copy of a letter dated February 18, 1935 to the Federal Reserve Bank of Cleveland from The First National Bank, Georgetown, Ohio, regarding the right of such bank to pay interest for the period subsequent to June 16, 1933 upon a demand certificate of deposit in the sum of \$1,100, dated April 4, 1932. A copy of such certificate was also inclosed in Mr. Anderson's letter.

"It appears from the bank's letter that on or about August 29, 1933, the date on which Regulation Q was issued, the bank made an effort to reach the holder of the demand certificate of deposit in question, and that it has since written other letters to the depositor in an attempt to convert the demand certificate of deposit into a time certificate of deposit. However, because of a confusion of names, and because the bank did not have the correct address, the holder of the certificate was not reached until recently. The bank has offered to pay interest on the certificate to June 16, 1933 but the holder of the certificate

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"objects to this on the ground that he did not know of the change in the law, and would have been willing, and still is willing, to convert his demand certificate of deposit to a time certificate of deposit. The bank stated that it desires to keep the goodwill of the depositor, and requested advice from the Federal Reserve Bank of Cleveland as to whether it may, under the circumstances, pay interest to date on the certificate.

"Mr. Anderson states that it appears that the bank has made every reasonable effort to reach its depositor with a view to converting the demand certificate into a time certificate of deposit and, consequently, that the bank may reasonably be considered as having made an effort in good faith to conform the certificate to the requirements of the law. A ruling of the Board is requested by Mr. Anderson upon the question whether the bank may lawfully pay interest to the date of conversion of this certificate into a time certificate, assuming that such conversion is promptly made.

"As you know, section 19 of the Federal Reserve Act provides that no member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand, and also provides that interest may be paid upon any certificate of deposit or other contract entered into in good faith prior to June 16, 1933, which is in force on that date. The section also provides that every member bank shall take such action as may be necessary to conform its certificates to the provisions forbidding the payment of interest upon demand deposits, as soon as possible consistently with its contractual obligations. Likewise, section II(b) of the Board's Regulation Q provides that every member bank shall take such action as may be necessary, as soon as possible consistently with its contractual obligations, to eliminate from any such certificate of deposit or other contract any provision for the payment of interest on deposits payable on demand.

"The Federal Reserve Board has not had occasion to determine what action must be taken by a member bank in order to bring its outstanding demand certificates of deposit issued prior to June 16, 1933 into conformity with the provisions of section 19 of the Federal Reserve Act and the Board's Regulation Q. However, in view of the unusual circumstances presented in the case covered by Mr. Anderson's letter, the Federal Reserve Board will interpose no objection to the payment of interest upon the certificate to the date of its conversion into a time certificate of deposit, provided that such conversion is promptly effected."

Approved.

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

"In view of statements contained in your February 25 letter, including your statement that construction of proposed Jefferson National-Expansion Memorial at central river front will be of benefit to Federal Reserve bank property, Federal Reserve Board approves action of your Board of Directors in voting to contribute an amount equal to \$2 per thousand of assessed valuation of Federal Reserve bank's land and building in St. Louis for preliminary expenses in connection with project."

Approved.

Letter to Mrs. Emma Mallery, Reading, Michigan, reading as follows:

"Reference is made to your letter dated February 18, 1935 regarding a \$4.50 protest charge imposed as a result of the dishonor of a check for \$14.58 drawn upon The Valley Bank and Trust Company, Mesa, Arizona. It is understood from your letter that you deposited for collection with your local bank a check payable to you in the amount of \$14.58, drawn by Mr. G. C. Gibson, of Mesa, Arizona, upon The Valley Bank and Trust Company. You state that when the check reached The Valley Bank and Trust Company, Mr. Gibson had closed his account, and that the bank returned your check accompanied by a protest charge in the amount of \$4.50. You ask if the imposition of such a charge is in accordance with the banking laws.

"As you perhaps know, the purpose of a protest is to protect the owner of a check by taking the steps necessary to preserve the owner's rights and to facilitate their enforcement. Under the Uniform Negotiable Instruments Law, which has been adopted in all the States of the United States, checks which are drawn and payable in the same State may be protested for nonpayment, and all other checks are required to be protested for nonpayment. Accordingly, although the bank was not required by law to protest the check referred to in your letter, it was authorized by law to protest such check.

"In most jurisdictions, the certificate of a notary protesting a check is prima facie evidence of the facts

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"contained therein and, accordingly, a certificate of protest reciting the fact that a check has been presented and dishonored affords evidence in convenient form of such presentation and dishonor, which is necessary in order to charge the drawer and endorsers of the check; whereas, without such protest it is necessary to prove presentation and dishonor by witnesses in the same manner as any other facts in controversy and frequently at considerable expense. For these reasons, although the protest of checks drawn and payable in the same State is not required by law, such checks are frequently protested in order to provide evidence necessary to enable the owners to charge the drawers and endorsers upon such checks.

"While the Federal Reserve Board performs certain duties of a supervisory character with respect to member banks of the Federal Reserve System, it is not within the scope of its lawful functions to undertake to determine whether the amount of a protest charge is proper, or to require a member bank to take any action with respect thereto. Accordingly, the Board regrets that it is unable to advise you concerning the correctness of the amount of the protest charge referred to in your letter."

Approved.

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

"Receipt is acknowledged of Mr. Dillistin's letter of February 19, 1935, furnishing further information in connection with the application of Mr. Gerald F. Beal under the provisions of section 32 of the Banking Act of 1933 for a permit to serve at the same time as officer and director of J. Henry Schroder Trust Company, New York, New York, and as director of Continental Securities Corporation.

"In its letter of February 2, 1935, the Board stated that, on the basis of the information which had been submitted, it appeared 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, but, in this connection, stated that information had not been submitted regarding the activities of the corporation in purchasing, selling or distributing its own stock or other securities. The additional information submitted with Mr. Dillistin's letter of February 19, 1935 relates to this latter question.

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"It appears that the shares of the corporation were originally sold in 1924; that, in 1927, 5 per cent debentures with option warrants were offered to the public; that, in 1928, units consisting of three shares of preferred stock and two shares of common stock were offered to the common stockholders; that, from time to time, the the common stock was increased through the exercise of option warrants; but that no securities of the corporation are at present being sold or distributed and that none have been sold or distributed during the past three years. It further appears that no shares or other securities of the corporation have been repurchased by it, with the exception of certain of its debentures, which were repurchased in the open market for cash.

"On the basis of the additional information which has been submitted, the Board concurs in the opinion of your office and your counsel that the provisions of section 32 of the Banking Act of 1933 are not applicable to the relationships described in the first paragraph of this letter."

Approved.

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

"Receipt is acknowledged of Mr. Dillistin's letter of February 18, 1935, furnishing further information in connection with the application of Mr. Bayard F. Pope under the provisions of section 32 of the Banking Act of 1933 for a permit to serve at the same time as director and chairman of the Advisory Committee of The Marine Midland Trust Company of New York, New York, New York, and as director of Utility Equities Corporation, Jersey City, New Jersey.

"In its letter to you of February 4, 1935, the Board stated that, on the basis of the information which had been submitted, it appeared that Utility Equities Corporation should not be regarded as 'engaged primarily in the business of purchasing, selling, or negotiating securities' within the meaning of section 32, but stated, in this connection, that information had not been submitted regarding the activities of the corporation in purchasing, selling and distributing its own stock and other securities. The additional information submitted with Mr. Dillistin's letter of February 18, 1935 relates to this latter point.

"It appears that the securities of the Utility Equities Corporation were originally purchased outright in 1928 by a

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"banking group and distributed by them to the public; and that, since that time, there have been no changes in the shares or other securities of the corporation outstanding except those resulting from the exercise of the right of holders of priority stock to convert such stock into common stock, which changes occurred over three years ago, and from the repurchase in the open market of a certain amount of priority stock each year, which was canceled.

"On the basis of the additional information which has been submitted, the Board concurs in the opinion reached by your office and your counsel that section 32 of the Banking Act of 1933 is not applicable to the relationships described in the first paragraph of this letter."

Approved.

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

"In connection with the application of Mr. William K. Eckert under the provisions of section 32 of the Banking Act of 1933 for a permit to serve at the same time as director and vice chairman of the board of the Union National Bank of Reading, Reading, Pennsylvania, and as manager of the Reading office of Graham, Parsons & Co., Philadelphia, Pennsylvania, you have forwarded a copy of a letter from Mr. William Y. Conrad, the Executive Vice President of the Union National Bank of Reading, urging reconsideration of the application. The letter concludes with a request for the privilege of presenting personally to the Federal Reserve Board the views of the directors of the national bank in connection with this matter.

"Although the Board gave the most careful consideration to this application before writing its letter to you of January 23, 1935, the Board will, of course, give consideration to any further information or arguments which representatives of the national bank may desire to present, and you are requested to advise Mr. Conrad accordingly. If representatives of the bank decide to come to Washington, please advise as to the date upon which they would desire to discuss the matter with representatives of the Board."

Approved.

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

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"Your letter of February 6, 1935, in connection with the application of Mr. Edward R. Leader under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as director and officer of the National-Dime Bank of Shamokin and as director, officer and manager of Leavens & Leader, both of Shamokin, Pennsylvania, requests advice as to whether in the opinion of the Board the relationship involved is within the intendment of section 32. You inclosed with your letter an opinion of your counsel to the effect that the relationship is of that kind.

"In answer to question No. 2 on F. R. B. Form 99a, the applicant states:

'Leavens and Leader are correspondents of J. & W. Seligman & Company, 54 Wall Street, New York City, and under contract to distribute their participations and underwritings.'

"This relationship is described as follows in a letter from J. & W. Seligman & Co. to Leavens & Leader, which contains their agreement:

'* * * your relationship to us shall be that of an independent dealer acting as our Correspondent in the solicitation of orders for the purchase and sale of securities in Shamokin and vicinity. * * *

'* * * you * * * will offer for sale * * * securities exclusively from our list * * *.'

"Under the circumstances, it appears that Leavens & Leader are engaged in the business of 'selling' securities within the meaning of section 32 and, therefore, the Board agrees with the conclusion reached by your counsel that the relationships of Mr. Edward R. Leader are within the intendment of section 32.

"Accordingly, as you assume in your letter of February 6, 1935, the Board would not be prepared to grant this application, in view of the policy stated in its letter of March 7, 1934 (X-7811)."

Approved.

Letter to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, prepared in accordance with the action taken at the meeting of the Board on February 27, 1935, and reading as follows:

"There are inclosed the original and copies of the Clayton Act permit granted to Mr. Paul M. Davis, Nashville,

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"Tennessee, to serve at the same time as director and officer of The American National Bank of Nashville, Nashville, Tennessee, and as director of Nashville Branch, Federal Reserve Bank of Atlanta, Nashville, Tennessee, for transmittal by you to Mr. Davis and the banks involved, and a copy for your files.

"The permit granted to Mr. Davis has been issued so as to expire at the close of December 31, 1935, since his term as a director of Nashville Branch, Federal Reserve Bank of Atlanta, expires on that date. When transmitting the permit to Mr. Davis, please advise him accordingly."

Approved.

Letters to applicants for permits under the Clayton Act, prepared in accordance with the action taken at the meeting of the Board on February 27, 1935, advising respectively of the issuance of permits by the Board as follows:

Mr. Parkes Armistead, to serve at the same time as a director and officer of The American National Bank of Nashville, Nashville, Tennessee, and as a director and officer of The First National Bank of McMinnville, McMinnville, Tennessee, for the period ending January 14, 1936.

Mr. J. U. Glaboff, to serve at the same time as an employee of The American National Bank of Nashville, Nashville, Tennessee, as a director of the Lebanon Bank & Trust Company, Lebanon, Tennessee, and as a director of the Alexandria Bank & Trust Company, Alexandria, Tennessee, for the period ending January 14, 1936.

Mr. L. G. Sadler, to serve at the same time as an officer of The American National Bank of Nashville, Nashville, Tennessee, as a director of the Security Bank & Trust Company, Gainesboro, Tennessee, and as a director of The First National Bank of Smithville, Smithville, Tennessee, for the period ending January 14, 1936.

Mr. J. W. Wakefield, to serve at the same time as an officer of The American National Bank of Nashville, Nashville, Tennessee, as a director of the Northern Bank of Tennessee, Clarksville, Tennessee, and as a director of the Murfreesboro Bank and Trust Company, Murfreesboro, Tennessee, for the period ending January 14, 1936.

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Mr. C. H. Wetterau, to serve at the same time as an officer of The American National Bank of Nashville, Nashville, Tennessee, and as a director of the Bank of Goodlettsville, Goodlettsville, Tennessee, for the period ending January 14, 1936.

Mr. A. W. Willey, to serve at the same time as an officer of The American National Bank of Nashville, Nashville, Tennessee, as a director of the Security Bank & Trust Company, Gainesboro, Tennessee, and as a director of the Lebanon Bank & Trust Company, Lebanon, Tennessee, for the period ending January 14, 1936.

Approved.

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

Mr. Frank A. Bayrd, to serve as a director and officer of The First National Bank of Malden, Malden, Massachusetts, and as a director of the Malden Morris Plan Company, Malden, Massachusetts, for the period ending January 14, 1936.

Mr. A. George Gilman, to serve at the same time as a director of The Hudson National Bank, Hudson, Massachusetts, and as a director of the Malden Morris Plan Company, Malden, Massachusetts, for the period ending January 14, 1936.

Mr. Sidney M. Price, to serve at the same time as an officer of The First National Bank of Malden, Malden, Massachusetts, and as a director of the Malden Morris Plan Company, Malden, Massachusetts, for the period ending January 14, 1936.

Mr. Charles S. Aldrich, to serve at the same time as a director of The Union National Bank of Troy, Troy, New York, and as a director of the Troy Prudential Association, Inc., Troy, New York, for the period ending January 14, 1936.

Mr. Chester B. Lord, to serve at the same time as a director and officer of The First National Bank of Binghamton, Binghamton, New York, and as a director of the Endicott Trust Company, Endicott, New York, for the period ending January 14, 1936.

Mr. C. E. E. Reynolds, to serve at the same time as a director of the Citizens Trust Company, Clyde, New York, and as a director and officer of The National Bank of Savannah, Savannah, New York, for the period ending January 14, 1936.

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Mr. A. K. Spaulding, to serve at the same time as an officer of the Ithaca Trust Company, Ithaca, New York, and as a director and officer of The First National Bank of Trumansburg, Trumansburg, New York, for the period ending January 14, 1936.

Mr. M. E. Sollenberger, to serve at the same time as a director of the First National Bank and Trust Company in Waynesboro, Waynesboro, Pennsylvania, and as a director of The Peoples National Bank of Lemasters, Lemasters, Pennsylvania, for the period ending January 14, 1936.

Mr. Eugene Woods, to serve at the same time as a director and officer of The First National Bank of Rimersburg, Rimersburg, Pennsylvania, as a director and officer of the Sligo National Bank, Sligo, Pennsylvania, and as a director of The First National Bank of New Bethlehem, New Bethlehem, Pennsylvania, for the period ending January 14, 1936.

Mr. Mark L. Dickover, to serve at the same time as a director of the First State Bank of Valparaiso, Valparaiso, Indiana, and as a director of the Federal Home Loan Bank of Indianapolis, Indianapolis, Indiana, for the period ending January 14, 1936.

Mr. A. H. Eckles, to serve at the same time as a director and officer of the Planters Bank and Trust Company, Hopkinsville, Kentucky, and as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis, for the period ending January 14, 1936.

Mr. Joseph W. Rizzie, to serve at the same time as a director of The First National Bank in Staunton, Staunton, Illinois, and as a director and officer of the First National Bank of Benld, Benld, Illinois, for the period ending January 14, 1936.

Mr. E. O. Jenkins, to serve at the same time as a director and officer of The First National Bank of Great Falls, Great Falls, Montana, and as a director of The National Bank of Lewistown, Lewistown, Montana, for the period ending January 14, 1936.

Mr. Linn Frazier, to serve at the same time as a director of The First National Bank of Meade, Meade, Kansas, and as a director and officer of the Montezuma State Bank, Montezuma, Kansas, for the period ending January 14, 1936.

Mr. Thos. J. Smith, to serve at the same time as a director of The Citizens State Bank, Liberal, Kansas, and as a director of The First National Bank of Tyrone, Tyrone, Oklahoma, for the period ending January 14, 1936.

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Mr. Paul L. Wright, to serve at the same time as a director and officer of The First National Bank of Tyrone, Tyrone, Oklahoma, and as a director of The First National Bank of Hugoton, Hugoton, Kansas, for the period ending January 14, 1936.

Mr. Wm. F. Hermann, to serve at the same time as a director of The Farmers National Bank in Brenham, Brenham, Texas, and as a director of the Citizens State Bank, Somerville, Texas, for the period ending January 14, 1936.

Dr. L. Kusch, to serve at the same time as a director of The Farmers National Bank in Brenham, Brenham, Texas, and as a director of the Citizens State Bank, Somerville, Texas, for the period ending January 14, 1936.

Mr. J. H. Phelan, to serve at the same time as a director of The First National Bank of Beaumont, Beaumont, Texas, as a director of The Calcasieu-Marine National Bank of Lake Charles, Lake Charles, Louisiana, and as a director of The Citizens National Bank of Sour Lake, Sour Lake, Texas, for the period ending January 14, 1936.

Mr. T. F. Rothwell, to serve at the same time as a director of The First National Bank of Beaumont, Beaumont, Texas, as a director of The Calcasieu-Marine National Bank of Lake Charles, Lake Charles, Louisiana, and as a director and officer of The Citizens National Bank of Sour Lake, Sour Lake, Texas, for the period ending January 14, 1936.

Approved.

Letters to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, inclosing copies of the following amended Clayton Act permits for transmission to the applicants:

Mr. Dameron Black, to serve at the same time as a director and officer of the Trust Company of Georgia, Atlanta, Georgia, and as a director of The First National Bank of Rome, Rome, Georgia, for the period ending January 14, 1936.

Mr. R. A. Liggett, to serve at the same time as a director and officer of The First National Bank of Tampa, Tampa, Florida, as a director of the Latin American Bank of Ybor City, Tampa, Florida, and as a director of The First National Bank of Bradenton, Bradenton, Florida, for the period ending January 14, 1936.

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Mr. H. S. Walters, to serve at the same time as a director and officer of The Hamblen National Bank of Morristown, Morristown, Tennessee, and as a director of the Citizens Bank, White Pine, Tennessee, for the period ending January 14, 1936.

Approved.

Letters to the respective Federal reserve agents 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. Gordon Auchincloss, for permission to serve at the same time as a director of The Chase National Bank of the City of New York, New York, New York, and as a director of The Equitable Trust Company of New York, New York, New York.

Mr. Morton Scott, for permission to serve at the same time as a director of The Gatesville National Bank, Gatesville, Texas, and as a director of The First National Bank of Gatesville, Gatesville, Texas.

Mr. W. W. Fondren, for permission to serve at the same time as a director of the San Jacinto National Bank of Houston, Houston, Texas, and as a director and officer of The National Bank of Commerce of Houston, Houston, Texas.

The letters also requested the agents 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.

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

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"Reference is made to Assistant Federal Reserve Agent Gidney's letter of February 14, 1935, submitting the review which your office has made of the Clayton Act permit granted November 1, 1934, to Mr. F. L. Morse, Ithaca, New York, to serve at the same time as a director of The First National Bank of Ithaca and Ithaca Trust Company, both of Ithaca, New York, and as a director and officer of The First National Bank at Orlando, Orlando, Florida.

"The Board has noted the opinion of your office that, upon the basis of the information and facts considered in connection with your review of this case and having in mind the policy of the Board as set forth in its letter of January 9, 1935, (X-9082), the public interest would be better served if Mr. Morse were to discontinue his connection with one of the Ithaca banks.

"However, under the policy set forth in its letter of January 9, 1935, the Board has not undertaken to revoke outstanding permits on the ground that the banks involved were competitive institutions; and in view of all of the circumstances involved as indicated by the reports submitted by your office and the Federal Reserve Agent at Atlanta, the Board does not feel that it should at this time undertake to revoke the permit heretofore issued to Mr. Morse even though it appears, among other things, that The First National Bank of Ithaca and Ithaca Trust Company are in competition. Accordingly, the Board is willing to allow the permit granted to Mr. Morse on November 1, 1934, to continue in effect.

"A copy of this letter is being forwarded to the Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta."

Approved.

Letters to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, advising that the Board has noted the facts submitted with the review of the following Clayton Act permits and, in view of the policy set forth in its letter of January 9, 1935, is willing to allow the permits heretofore granted to the applicants to continue in effect:

Mr. Franklin W. Fort, to serve at the same time as a director and officer of the Lincoln National Bank of Newark, Newark, New Jersey, as a director of the Savings Investment & Trust Company, East Orange, New Jersey, and as a director of the

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Freehold Trust Company, Freehold, New Jersey.

Mr. Michael Loprete, to serve at the same time as a director of the Lincoln National Bank of Newark, Newark, New Jersey, and as a director of the Savings Investment & Trust Company, East Orange, New Jersey.

Mr. Curtis Miller, to serve at the same time as a director and officer of The National Bank of Waterville, Waterville, New York, and as a director of the First Trust and Deposit Company, Oriskany Falls, New York.

Mr. Arthur T. Vanderbilt, to serve at the same time as a director of the Savings Investment & Trust Company, East Orange, New Jersey, as a director of the First National Bank of Belleville, New Jersey, and as a director of the Livingston National Bank, Livingston, New Jersey.

Approved.

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

"Reference is made to Assistant Federal Reserve Agent Fry's letters of February 18 and 19, 1935, with inclosures relative to the Clayton Act application of Mr. Frank A. Kearney, Phoebus, Virginia, for permission to serve at the same time as director and officer of The Old Point National Bank of Phoebus, and as director of the Bank of Phoebus, both of Phoebus, Virginia, which was not approved by the Board as indicated in its letter of January 25, 1935, to you.

"As indicated in its letter of January 25, 1935, the Board feels that the issuance of the permit applied for by Mr. Kearney would be incompatible with the public interest since the 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 is noted from Mr. Kearney's letter of February 16, 1935, that he has tendered his resignation to both of these institutions. It will be appreciated if you will advise the Board of the effective date of Mr. Kearney's resignation from either or both of the banks involved in order that the file in this case may be closed."

Approved.

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Letter to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of February 25, 1935, relative to the Clayton Act permits granted June 14, 1934, to Messrs. Z. C. Patten and Geo. H. Patten, both of Chattanooga, Tennessee, to serve at the same time as directors and/or officers of The Commercial National Bank of Chattanooga and St. Elmo Bank and Trust Company, both of Chattanooga, Tennessee.

"The Board has noted the information contained in your letter of February 25, 1935, and submitted in accordance with the request made in the Board's letter of June 14, 1934, to Mr. Newton, and is willing to allow the permits heretofore granted to the Messrs. Patten to continue in effect."

Approved.

Letter to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"There is inclosed a copy of the Clayton Act permit granted to Mr. W. C. Cartinhour, Chattanooga, Tennessee, to serve at the same time as director of The Hamilton National Bank of Chattanooga, and the Morris Plan Bank of Chattanooga, both of Chattanooga, Tennessee.

"In considering this application it was noted from the report of examination of The Hamilton National Bank of Chattanooga as of April 5, 1934, that this bank had on deposit with Jno. J. Clarke & Co., brokers, of Chattanooga, Tennessee (apparently intended to refer to the Chattanooga branch of Jno. F. Clark & Co., New Orleans, Louisiana), the amount of \$29,737.14, for use in buying and selling stocks and bonds for the bank's customers.

"It appears possible from the information available that Jno. F. Clark & Co. are engaged merely in the business of executing orders on behalf of others as brokers and that they are not engaged in underwriting, distributing, or dealing in securities. Accordingly, in view of the principles stated in the ruling appearing at page 393 of the Federal Reserve Bulletin for June 1934, it appears possible that the provisions of section 32 of the Banking Act of 1933 may not be applicable to these relationships. However, the Board is without sufficient information to determine the question. Furthermore, it appears possible that a violation of the

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"provisions of section 21(a)(1) of the Banking Act of 1933 by Jno. F. Clark & Co. may be involved. Therefore, it will be appreciated if you will make such investigation as is necessary in connection with these matters and advise the Board fully, after consulting your counsel.

"It is noted from your letter of January 26, 1935 that Mr. J. W. Massey is now serving only the Hamblen National Bank of Morristown, Tennessee, and that therefore no permit under the provisions of the Clayton Act is necessary in his case."

Approved.

The Clayton Act permit referred to above was as follows:

Mr. W. C. Cartinhour, to serve at the same time as a director of The Hamilton National Bank of Chattanooga, Chattanooga, Tennessee, and as a director of the Morris Plan Bank of Chattanooga, Tennessee, for the period ending January 14, 1936.

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

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. Wm. J. Lewis, Harlan, Iowa, to serve at the same time as director and officer of The Harlan National Bank, Harlan, Iowa, and as director of The Federal Land Bank of Omaha, Omaha, Nebraska, for the period ending January 14, 1936, for transmittal by you to the applicant and the banks involved and a copy for your files.

"Although Mr. Lewis made application to serve as director of Farm Credit Administration, Omaha, Nebraska, it appears that he actually serves as director of The Federal Land Bank of Omaha and the permit has been issued accordingly. Mr. Lewis also requested permission to serve as director and officer of Shelby County Agricultural Credit Corporation, Harlan, Iowa. However, this corporation does not appear to be organized under Federal law and apparently makes no loans on the security of stock or bond collateral; accordingly, permission to serve this institution appears unnecessary and his services therewith are not included in the inclosed permit. Please inform the applicant with respect to these matters.

"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.

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"A copy of this letter and a copy of the permit are being sent to the Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City for his information and records."

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 February 14, 1935, with inclosures, relative to the Clayton Act application of Mr. Edward M. Lieblein, Hancock, Michigan, to serve at the same time as a director of The National Metals Bank of Hancock, Hancock, Michigan, and the Merchants & Miners Bank, Calumet, Michigan, which was not approved by the Board, as indicated in its letter of February 4, 1935.

"The Board has reconsidered the application of Mr. Lieblein and still feels that the issuance of the permit applied for would be incompatible with the public interest since the 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. Please inform the applicant accordingly and ascertain and advise the Board what steps he proposes to take in order to comply with the provisions of the Clayton Act."

Approved.

Letter to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of February 13, 1935, relative to the Clayton Act permits granted October 19, 1934, to Mr. W. D. Myers and Mrs. E. E. Myers, both of Alva, Oklahoma, to serve at the same time as directors and/or officers of The Central National Bank of Alva, Alva, Oklahoma, The Farmers & Merchants National Bank of Hooker, Hooker, Oklahoma, and The First National Bank of Elk City, Elk City, Kansas, and to Mr. W. D. Myers, Jr., Hooker, Oklahoma, to serve as director and officer of The Farmers & Merchants National Bank of Hooker and as director of The Central National Bank of Alva, which permits were issued for the period ending at the close of December 31, 1934.

"The Board has given further consideration to these cases and, in accordance with the policy set forth in its letter of January 9, 1935, X-9082, has granted permits for the period ending January 14, 1936. There are inclosed the original and copies of such permits for transmittal by you to the Messrs. Myers and Mrs. Myers and the banks involved and copies for your files.

"When the permits are sent to these individuals and copies thereof to the banks involved, please advise them that

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"the permits have 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. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of January 22, 1935, with inclosures, in reply to my letter of January 5, 1935, relative to the Clayton Act permit granted November 7, 1923, to Mr. J. E. Cosgriff, Salt Lake City, Utah, to serve at the same time as director and officer of The Continental National Bank of Salt Lake City, Utah, (now The Continental National Bank and Trust Company of Salt Lake City), as director and officer of The First National Bank of Caldwell, Caldwell, Idaho, and as director and officer of The First National Bank of Rawlins, Rawlins, Wyoming.

"In view of the information submitted with your letter of January 22, 1935, your opinion that Mr. Cosgriff's present relationships are not in violation of the Clayton Act and your recommendation that the permit be continued in force, the Board is willing to allow the permit granted November 7, 1923, to Mr. Cosgriff to continue in effect."

Approved.

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

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 2</u>		
The First National Bank of Herkimer, Herkimer, New York	150	150
<u>District No. 7</u>		
First Wisconsin National Bank of Milwaukee, Milwaukee, Wisconsin	900	900
	<u>900</u>	<u>900</u>
	Total	1050
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2</u>		
The Stewart National Bank of Livonia, Livonia, New York	41	41

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Applications for SURRENDER of Stock: (Continued) SharesDistrict No. 6

The American National Bank & Trust Co. of Mobile, Mobile, Alabama	90	
The First National Bank of Mobile, Mobile, Alabama	<u>300</u>	390

District No. 7

The Hardin County National Bank of Eldora, Eldora, Iowa	45	
The Lapeer Savings Bank of Lapeer, Michigan, Lapeer, Michigan	29	
The Fruit Growers State Bank of Saugatuck, Michigan, Saugatuck, Michigan	<u>54</u>	128

District No. 9

National Farmers Bank of Kasson, Kasson, Minnesota	30	
The National Bank of Dodge County at Kasson, Kasson, Minnesota	<u>48</u>	<u>78</u>
	Total	657

Approved.

Thereupon the meeting adjourned.

Robert Monroe
Secretary.

Approved:

W. C. ...
Governor.