

A meeting of the Federal Reserve Board was held in Washington on Friday, March 8, 1935, at 11:30 a. m.

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

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

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on March 1, 1935, were approved and the actions recorded therein were ratified unanimously.

The Board then acted upon the following matters:

Letter dated March 7, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated March 7 from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, and March 8 from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

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 March 1, 1935, transmitting the request of the 'Central Trust Company, Rochester, N. Y.', Rochester, New York, for an extension of time of six months within which it may comply with the provisions of membership condition numbered 20, which reads as follows:

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"Within six months from the date of its admission to membership, such bank shall dispose of any loans which may be secured in whole or in part by its own stock or obtain the substitution of other adequate security for each such loan."

"It is noted that the bank accomplished its membership in the System on September 11, 1934, at which time it held 815 shares of its own stock as collateral to eleven loans and that as of February 21, 1935, it held 500 shares of its own stock as collateral to eight loans.

"In view of all the circumstances and the recommendation of your office, the Board extends to September 11, 1935, the time within which the Central Trust Company, Rochester, N. Y. may comply with the provisions of membership condition numbered 20, and it is requested that you advise the bank accordingly."

Approved.

Letter to "The First National Bank of Hancock", Hancock, Michigan, reading as follows:

"This refers to the resolution adopted on September 21, 1934, by the board of directors of your bank signifying the bank's desire to surrender its right to act as executor, administrator, guardian of estates and committee of estates of lunatics as authorized by the Federal Reserve Board.

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

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall

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"not exercise any of the powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

Approved.

Letter to "The First National Bank of Laurium", Laurium, Michigan, reading as follows:

"This refers to the resolution adopted on October 25, 1934, by the board of directors of your bank signifying the bank's desire to surrender its right to act as executor, administrator, guardian of estates and committee of estates of lunatics as authorized by the Federal Reserve Board.

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

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

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'Plattsburg National Bank & Trust Company',

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"Plattsburg, New York, from \$500,000 to \$250,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$1,000,000 of preferred stock to the Reconstruction Finance Corporation and that the released capital, together with the bank's surplus and undivided profits accounts, shall be used to eliminate a corresponding amount of the least desirable assets in the bank, all as set forth in your memorandum of February 28, 1935.

"In considering the plan under which the proposed reduction in common capital stock is to be effected it has been noted that estimated losses remaining unprovided for will be almost equal in amount to the reduced common capital stock; that unclassified securities depreciation, if considered as a loss, will seriously impair the preferred stock, and that the bank will also be burdened with a large aggregate of doubtful and otherwise undesirable assets. It has been noted, further, that the directorate and active management of the bank are subject to criticism by your examiner. It is assumed, however, that you have these conditions in mind and that whenever it is feasible to do so you will require such further corrections as may be practicable."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing him to issue a limited voting permit to the "Northwest Bancorporation", Minneapolis, Minnesota, entitling such organization to vote the stock which it owns or controls in "The First National Bank of Montgomery", Montgomery, Minnesota, for the purposes set forth in the telegram.

Approved.

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

"Reference is made to the report of examination of the 'Springfield Marine Bank', Springfield, Illinois, as of January 7, 1935, and the supplemental information sub-

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"mitted in connection therewith. Reference is made also to recent correspondence and communications with regard to the bank's request for a modification of condition of membership numbered 19 which reads as follows:

'Such bank shall make adequate provision for depreciation in its banking house, in amounts which, within three years after the date of its admission to membership, shall aggregate not less than \$100,000, and in equal annual amounts thereafter the aggregate of which shall accomplish the complete elimination of the account by 1966, at which time the lease expires on the part of the rented property on which the building is erected. Such bank shall also make adequate provision for depreciation in its furniture and fixtures, in amounts which in any one year shall be not less than 10% of the carrying value thereof, after the charge-off in accordance with condition numbered twenty-one.'

"The bank was admitted to membership on November 8, 1933, and, according to the report of examination as of January 7, 1935, since its admission to membership has charged off approximately \$49,000 on account of depreciation in its banking premises, leaving approximately \$51,000 to be eliminated by November 8, 1936, in accordance with the terms of condition numbered 19.

"In view of the circumstances and the recommendation of your office, the Board amends condition of membership numbered 19 to read as follows:

19. Such bank shall make adequate provision for depreciation in its banking house in equal annual amounts, the aggregate of which shall be sufficient to eliminate the carrying value of the banking house from the books of the bank by 1966, at which time the lease expires on the rented part of the lot on which the banking house is erected. Such bank shall also make adequate provision for depreciation in its furniture and fixtures, in amounts which in any one year shall be not less than 10% of the carrying value thereof, after the charge-off made in accordance with the provisions of condition numbered 21 accepted by the bank at the time of its admission to membership.

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"The condition numbered 19 as thus amended will become effective upon adoption by the Board of Directors of the Springfield Marine Bank of a resolution accepting such amended condition. Please advise the bank of the Board's action and forward to the Board a copy of the resolution accepting the condition of membership as amended.

"It has been noted from the report of examination of the bank as of January 7, 1935, that on account of State laws securities have not been pledged to secure trust funds deposited in the banking department of the bank, as required by condition of membership numbered 18. In this connection your attention is called to the Board's correspondence with the Federal Reserve Agent at the Federal Reserve Bank of St. Louis regarding the Elliott State Bank, Jacksonville, Illinois, copies of which correspondence were mailed to you on August 6, 1934. It is requested that you advise what action has been taken by your office, in the light of the Board's letter to the Federal Reserve Agent at St. Louis, with regard to State member banks located in the State of Illinois which were admitted under such condition of membership."

Approved.

Memorandum dated March 5, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending that a contract be entered into by the Board for the rental, at a total annual cost of \$2,000, of rooms 329, 349, 350, 351 and 352 on the third floor of the Shoreham Building effective March 16, 1935, and of room 335 effective April 1, 1935, in order to provide for additional needed space for the Divisions of Bank Operations and Research and Statistics; the terms and conditions of the lease, other than the rental rate, to correspond with the terms of the existing contracts for space in the Shoreham Building.

Approved.

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

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"Inclosed herewith is a copy of a letter written to Mr. I. J. Fulton, Superintendent of Banks, Columbus, Ohio, by an Attorney Examiner in his department, with reference to the Board's standard membership condition prescribed for State banks which provides that if a bank deposits trust funds in its banking department securities must be deposited with the trust department to secure the payment of such funds. Mr. Fulton left this letter with me with the request that the question raised therein be given further consideration.

"You will note that it is contended that compliance with this condition by Ohio State banks should be waived because the State statutes grant such trust funds preference in the case of liquidation of a bank. It is also stated that deposits of securities made in accordance with the condition should not be recognized by the Superintendent of Banks when he takes charge of the affairs of a bank. Mr. Fulton had previously written to the Board concerning this matter and on September 12, 1934, he was advised that compliance with the condition could not be waived.

"In the light of the statements made in the above mentioned letters and consideration given to the provisions of the Ohio General Code, it is the Board's understanding that in case an Ohio State bank is liquidated, trust funds deposited by it in its banking department are protected by a preference in all of its assets over general creditors. Based on this understanding the Board, after further consideration, feels that it is justified in waiving compliance with the above mentioned membership condition as to State member banks in Ohio and has advised Mr. Fulton in the inclosed letter accordingly. The Board, however, expressly reserves the right to enforce compliance if at any time, as the result of statutory changes or otherwise, it feels that such trust funds are not otherwise adequately protected. The Board's letter to Mr. Fulton, and a copy thereof for your records, are inclosed.

"The Board is of the opinion that the mere fact that under particular State laws banks cannot make valid pledges of securities to secure such trust funds, as the Attorney Examiner suggests may be the case in Ohio, does not justify the waiver of compliance with the condition. The important consideration is whether such trust funds are adequately protected by other safeguards.

"The Board desires that the counsel for your bank give careful consideration to the provisions of the laws of Ohio and if, in his opinion, the Board's understanding concerning the preference granted such trust funds is correct please transmit the inclosed letter to Mr. Fulton and advise the Board. Also, if your counsel finds that the Board's

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"understanding is correct, please advise, in writing, each State member bank in Ohio subject to a condition of membership of the kind described above that the Board waives compliance with the requirements of such condition by the State member bank involved. In so doing, you should, in each case, of course, make it entirely clear that the Board reserves the right to require compliance with such condition if, at any time, the Board feels that trust funds deposited in the commercial department are not otherwise afforded adequate protection. Please forward to the Board for its records a copy of the advice you furnish each of such banks in Ohio."

Approved, together with a letter to Mr.
I. J. Fulton, Superintendent of Banks of the
State of Ohio, reading as follows:

"Reference is made to the letter written to you by Charles G. Saffin, Jr., Attorney-Examiner in your department, under date of October 17, 1934, which you delivered to me with the request that further consideration be given to the question whether State member banks in Ohio should be required to comply with the condition of membership prescribed by the Federal Reserve Board to the effect that if a bank deposits trust funds in its own banking department it must deposit securities in its trust department to secure the payment of such trust funds.

"It is contrary to the established principles of law with reference to the administration of trusts for a trustee to use trust funds for his or its own purposes or benefit and if an exception is made to the rule by permitting a bank to deposit trust funds in its own banking department, it seems clear that the bank should be required to furnish adequate protection for such funds. Accordingly, it is the Board's practice to prescribe the condition of membership above referred to for State institutions applying for admission to membership in the Federal Reserve System in order to assure proper protection for trust funds handled by member banks exercising fiduciary powers.

"The Board understands, however, that, under the laws of the State of Ohio, if a State bank is liquidated trust funds which it has deposited in its own banking department are protected by a preference in all of the assets of the bank over its general creditors. On the basis of this understanding the Board has, after further careful consideration, decided that it is justified in waiving compliance with the membership condition by member banks in the State of Ohio. The Board, however, expressly reserves the right to require

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"compliance should it at any time deem the protection otherwise afforded trust funds to be inadequate. The Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland is being advised of the Board's position in this matter in order that he may advise the State member banks in Ohio which are affected.

"In accordance with your request, Mr. Saffin's letter is returned herewith."

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

"Reference is made to Mr. Young's letters of December 17, 1934 and January 14, 1935, concerning the violation by The Merchants Trust and Savings Company, Muncie, Indiana, of the condition of membership to the effect that if it deposits trust funds in its banking department it must deposit securities in its trust department to secure the payment of the trust funds.

"It is the Board's understanding from Mr. Young's letters that in the event of the liquidation of an Indiana State bank such trust funds would be protected by a preference in all of the assets of the bank over its general creditors. On the basis of this understanding the Board is of the opinion that it is justified in waiving compliance with the above mentioned condition of membership by Indiana State member banks. The Board, however, expressly reserves the right to require compliance at any time if, in its opinion, the protection otherwise afforded such trust funds is inadequate.

"Consideration has been given in connection with this matter to section 179 of the above mentioned Act which apparently forbids State banks to make such deposits of securities to secure trust funds. It is the Board's view, however, that the mere fact that a bank cannot make valid pledges of securities as contemplated by the condition of membership does not justify waiver of compliance with the condition. The important consideration is whether the trust funds are adequately protected by other safeguards.

"It is requested that, if he had not already done so, counsel for your bank give careful consideration to the laws of the State of Indiana and that the matter also be considered with the State banking authorities of Indiana in order that there may be no doubt that the Board's understanding concerning

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"the protection afforded trust funds is correct. If your counsel and the State banking authorities are satisfied that the Board's understanding of the matter is correct, please advise, in writing, The Merchants Trust and Savings Company, and each other State member bank in Indiana subject to a condition of the kind described above that the Board waives compliance with the requirements of such condition by the State member bank involved. In so doing, you should, in each case, of course, make it entirely clear that the Board reserves the right to require compliance with such condition if at any time the Board feels that trust funds deposited in the banking department are not afforded adequate protection. Please forward to the Board for its records a copy of the advice you furnish each of such banks in Indiana."

Approved, together with a letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"For your information there is inclosed herewith a copy of a letter which the Board has written to the Federal Reserve Agent at the Federal Reserve Bank of Chicago. Since a portion of the State of Indiana is included in your district, it is suggested that you confer with the Federal Reserve Agent at the Federal Reserve Bank of Chicago regarding this matter and take appropriate action in the circumstances."

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

"Reference is made to your letters of November 22, 1934, and January 21, 1935, relative to compliance by the Southern Arizona Bank and Trust Company, Tucson, Arizona, with the condition of membership prescribed by the Board which is to the effect that if trust funds held by the bank are deposited in its banking department or otherwise used in the conduct of its business, it shall deposit securities with its trust department to secure the payment of such funds.

"It appears that under the laws of Arizona banks in that State are not authorized to deposit securities to secure the payment of trust funds held by the bank and deposited in its banking department. Counsel for your bank has also advised that the laws of Arizona do not provide any safeguards by way of preference or otherwise for the protection of trust funds

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"held by a State bank and deposited in its banking department. You have recommended that the Board not require the Southern Arizona Bank and Trust Company to comply with the condition of membership referred to.

"It is contrary to the established principles of law with reference to the administration of trusts for a trustee to use trust funds for his or its own purposes or benefit, and if any exception is made to this rule it seems clear that the trustee should be required to furnish adequate protection for the trust funds so used. The Congress of the United States has recognized this fact in connection with the exercise of trust powers by National banks since it has required, in section 11(k) of the Federal Reserve Act, that if trust funds held by a National bank are used by the bank in the conduct of its business, it shall first set aside in the trust department securities approved by the Federal Reserve Board.

"As you know, the Board is required in acting upon an application of a State bank for admission to membership in the Federal Reserve System to consider the financial condition of the institution, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of the Federal Reserve Act. Pursuant to the responsibility placed upon the Board by the provisions of the law, it is the Board's practice to prescribe conditions of membership which are designed to maintain a sound condition in banks admitted to membership and to insure that powers exercised by such banks will be consistent with the purposes of the Federal Reserve Act. The condition discussed herein together with the other conditions prescribed for the Southern Arizona Bank and Trust Company at the time of its admission to membership in the System are designed to accomplish these purposes.

"It has been noted that counsel for your bank is of the opinion that although the Southern Arizona Bank and Trust Company became a member bank subject to the condition heretofore referred to, it did not derive power from such condition to make such deposits of securities under the provisions of Section 73 of Chapter 31 of the Session of Arizona of 1922 to the effect that member banks shall be subject to all of the provisions of the Federal Reserve Act and applicable regulations of the Federal Reserve Board, and shall have all the powers conferred by such Act. In this connection it may be noted that the condition prescribed by the Board does not purport to confer any powers upon any bank accepting such condition. That condition does not require the bank to deposit trust funds in its own banking department, but merely provides

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"that if such a deposit is made, the bank shall deposit securities to secure the trust funds deposited in its banking department.

"The Board has given very careful consideration to all of the circumstances involved in this matter but it does not feel that it may properly waive compliance by the Southern Arizona Bank and Trust Company with the condition of membership referred to. The Board's decision to this effect is influenced mainly by the fact that it is understood, as noted above, that the laws of Arizona do not provide safeguards by way of preference or otherwise for the protection of trust funds held by a State bank and deposited in its banking department. You understand, of course, that the condition of membership referred to contemplates that in any case the deposit of securities with the trust department to secure trust funds deposited with the banking department shall result in a valid pledge to secure the payment of such funds and in any case where such a valid pledge cannot be made trust funds should not be deposited in the trustee's banking department.

"You are requested to advise the Southern Arizona Bank and Trust Company of the Board's position in this matter and advise the Board when correction of the situation has been obtained. In this connection you may wish to consider the advisability of suggesting to the Southern Arizona Bank and Trust Company the possibility of obtaining amendments to the State law which will permit it to comply with the requirements of the condition of membership if the bank deems it essential to deposit trust funds in its own banking department.

"Your attention is called to the fact that you are being advised in a separate letter under this date as to the Board's position regarding compliance with the condition of membership referred to where adequate protection is afforded trust funds deposited in the banking department of the trustee bank by the provisions of State laws."

Approved.

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

"As you know, the Board has prescribed for some time the following standard membership condition for all State banks exercising trust powers at the time of their admission to membership:

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"If trust funds held by such bank are deposited in its banking department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.'

"The Board has been requested to waive compliance with this condition in several States, such requests being based on one or both of the following reasons: (1) The banks under the provisions of the particular State laws cannot make valid deposits of securities to secure such trust funds; and (2) such trust funds are adequately protected by reason of the fact that under the provisions of the State law the owners of such trust funds would be preferred in the event of the liquidation of the bank by a receiver or otherwise.

"As you know, it is contrary to the general principles of law with reference to administration of trusts for a trustee to use trust funds for his or its own purposes and benefit. In permitting a bank to deposit uninvested trust funds in its own banking department, an exception would be made to the general rule, and the Board feels that in such a case every reasonable precaution should be taken to assure maximum protection for trust funds so deposited. Accordingly, the Board has taken the position that it is not justified in waiving the condition merely because State banks under particular State laws cannot make valid pledges or deposits of securities to secure trust funds.

"The Board has recently reaffirmed this position in considering a situation where it was understood that under the State laws banks are not authorized to make such deposits of securities but no other special safeguards to assure the repayment of such trust funds are provided. The Board expressed the view that in such circumstances the bank in question should not deposit trust funds in its own banking department.

"As indicated above the Board has also had under consideration the situations in States where the Board understands that, under the State laws, when a bank is liquidated, such trust funds are fully protected by a statutory preference in all of the assets of the bank over its general creditors. The Board has taken the position that in view of this fact it is justified in waiving compliance by banks in these States because the preference provided by State law affords adequate protection for such trust funds. However, the Board has expressly reserved the right to require compliance with the

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"condition if, at any time, it feels that such trust funds are not adequately protected.

"The Board suggests that you have counsel for your bank investigate the laws of the respective States in your district to determine whether or not preferences over general creditors are provided by the State laws for the owners of trust funds deposited in the banking departments of banks in the event of liquidation and that you also consider the matter with the supervisory banking authorities of the various States in your district. If your counsel and the appropriate supervisory banking authorities are satisfied that in any State the owners of trust funds deposited by a bank in its banking department are preferred over general creditors in the event of liquidation, please advise the Board in detail as to their views and the Board will give consideration to whether compliance with the condition should not be waived as to any State member banks in such State."

Approved.

Memorandum dated March 6, 1935, from Mr. Smead, Chief of the Division of Bank Operations, reading as follows:

"Attached hereto is a copy of Form 105, Condition Report of State Bank Members, in the form in which it has been sent to the Government Printing Office for proof. It will be noted that two minor changes have been made, subject to the Board's approval:

(1) Each State bank member will be requested to show the full and exact legal title of the bank in the space provided at the top of the report. This is being done for the reason that the Board's records in some cases do not show this information.

(2) The item 'Certificates of indebtedness' is being stricken out from Schedule F. No unmatured Treasury certificates of indebtedness have been outstanding since December 15, 1934, and it is understood from the Comptroller's office that Under Secretary Coolidge has approved the elimination of the item. A corresponding change is, therefore, being made in the National bank call report form.

"There is also attached a proposed Schedule 'P' on which it is proposed to ask member banks to report, in connection with the next call report, the rates of interest they are

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"charging their customers and the rates of interest they are paying on deposits. If the Board approves this schedule, I understand from Mr. Awalt that the Comptroller's office will probably be willing to ask for the same information from National banks."

Approved.

Letter to the Attorney General of the United States, reading as follows:

"This refers to the letters dated January 9, 1935, and February 14, 1935, (JBK-WHR-29-62-123), with inclosures, which Mr. Keenan addressed to the Federal Reserve Board in your behalf, with further reference to the Pine Grove Bank, Pine Grove, Pennsylvania.

"As you know, the Pine Grove Bank was examined as of August 8, 1934, by the Federal Reserve Bank of Philadelphia under the provisions of section 21(a)(2) of the Banking Act of 1933. In this connection, however, it is understood that your Department is of the opinion that, although the State authorities did not exercise their prerogative in the premises, the Pine Grove Bank, at the time of that examination, was subject to State examination and regulation, and that, therefore, the bank is not within the scope of the provisions of section 21(a)(2).

"In view of all the circumstances involved, the Board is in agreement with Mr. Keenan's statement that the Pine Grove Bank had no authority to choose to be examined by the Comptroller of the Currency or the Federal Reserve Bank in preference to the State authorities, and, accordingly, the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia has been advised that it would not seem necessary for that bank to make any further examinations of the Pine Grove Bank."

Approved, together with a letter to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"There are inclosed herewith copies of certain correspondence which has been exchanged between the Board and the Attorney General of the United States with reference to the Pine Grove Bank, Pine Grove, Pennsylvania.

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"You will recall that the Pine Grove Bank, a private bank, was examined as of August 8, 1934, by the Federal Reserve Bank of Philadelphia under the provisions of section 21(a)(2) of the Banking Act of 1933. In this connection, you will note that the United States Attorney at Philadelphia, as a result of his investigation of the irregularity involving the Pine Grove Bank which was disclosed during the course of the examination in question, has ascertained that the bank at the time of that examination was subject to State examination and regulation and has concluded that it, therefore, was not within the scope of the provisions of section 21(a)(2). In the circumstances, it would not seem necessary for the Federal Reserve Bank of Philadelphia to make any further examinations of the Pine Grove Bank and advice to this effect, together with the facts involved, has been communicated to the Comptroller of the Currency for his information."

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Retel March 5 if affiliation of the H and T Feed and Elevator Company with the Commercial Bank, Spanishfork, Utah, has been or will be terminated immediately, and if the member bank has published its condition report as of December 31, 1934, publication of the report of the affiliate as of that date will not at this time be required."

Approved.

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

"Receipt is acknowledged of Mr. Gidney's letter of February 28, 1935, inclosing a letter from Mr. J. S. Rippel, requesting an opportunity to appear before the Board with his attorney in connection with his application under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as chairman of the board and director of Merchants and Newark Trust Company and as chairman of the board and director of J. S. Rippel & Co., both of Newark, New Jersey. Mr. Gidney has recommended that the request be granted.

"Please advise Mr. Rippel that the Board has granted his request and has set March 13, 1935, at 11 A. M., as the time for the hearing. Please ask Mr. Rippel to advise you in case

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"he will be unable to attend at this time, and, if so, when he would be able to attend."

Approved.

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

"Reference is made to Assistant Federal Reserve Agent Gidney's letter of February 27, 1935, with inclosures, submitting, in accordance with the fourth paragraph of the Board's letter of February 2, 1935, to you, the request of Mr. Abel Hansen, Perth Amboy, New Jersey, to amend his Clayton Act application to exclude therefrom The Raritan Trust Company of Perth Amboy, Perth Amboy, New Jersey.

"It is noted that Mr. Hansen has resigned as an officer and director of The Raritan Trust Company of Perth Amboy and that his resignation was accepted at a meeting of the board of directors of that bank held on February 19, 1935.

"The Board has approved the application of Mr. Hansen, as amended, and there are inclosed the original and copies of a Clayton Act permit covering his service as director of The First National Bank of Perth Amboy, Perth Amboy, New Jersey, and as director and officer of The Fords National Bank, Fords, New Jersey, for the period ending January 14, 1936, 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.

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

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Mr. Geo. W. Frazier, to serve at the same time as an officer of The Atlantic National Bank of Jacksonville, Jacksonville, Florida, as a director of The Palatka Atlantic National Bank, Palatka, Florida, and as a director of The Sanford Atlantic National Bank, Sanford, Florida, for the period ending January 14, 1936.

Mr. George W. Dant, to serve at the same time as a director and officer of The Farmers National Bank of Lebanon, Lebanon, Kentucky, and as a director and officer of the Bank of Loretto, Loretto, Kentucky, for the period ending January 14, 1936.

Mr. Roy R. Golden, to serve at the same time as a director and officer of the Merchants & Planters Bank & Trust Company, Arkadelphia, Arkansas, and as a director of The First National Bank of Gurdon, Gurdon, Arkansas, for the period ending January 14, 1936.

Mr. A. H. Keefer, to serve at the same time as a director and officer of the Guaranty Bond State Bank, Tomball, Texas, as a director and officer of the Citizens State Bank, Hempstead, Texas, and as a director of the First National Bank in Conroe, Conroe, Texas, for the period ending January 14, 1936.

Approved.

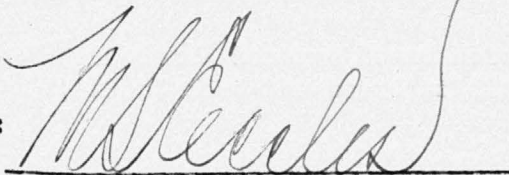
There were then presented the following applications for changes in stock of Federal reserve banks:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
The Central National Bank of Richmond, Richmond, Virginia.	30	
The National Bank of Herndon, Herndon, Virginia.	<u>39</u>	69

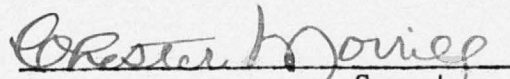
Approved.

Thereupon the meeting-adjourned.

Approved:



Governor.



Secretary.