

A meeting of the Federal Reserve Board was held in Washington on Friday, March 15, 1935, at 3:00 p. m.

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

Mr. Carpenter, Assistant Secretary

There were presented five requests received by the Board for rulings under the provisions of the second portion of section 2(c)(1) of the Banking Act of 1933 on the question whether certain corporations are holding company affiliates of member banks in situations under which the corporations would be considered holding company affiliates if a strict application were made of the Board's previous ruling that when a corporation owns a number of shares of stock of a member bank which exceeds 50% of the number of shares voted for the election of directors at the preceding election, such corporation is a holding company affiliate even though it does not own more than 50% of the particular shares actually voted at the election.

There was also presented a memorandum dated March 2, 1935, from Mr. Wyatt, General Counsel, in which he stated that the language of the provision in question is very ambiguous, and that the Board, as an administrative matter, could adopt any of the following interpretations, the first of which, in his opinion, should be adopted because it is practical and carries out the apparent intent of Congress:

"1. The Board could rule that, assuming that all shares voted at the last election of directors of a member bank which were not owned at that time by the organization in question will be voted against such organization at the next election of directors, the organization will be regarded as a holding

3/15/35

-2-

"company affiliate if it owns at the present time enough shares to control the next election of directors: Provided, that, if any shares have been issued since the last election of directors, it will be further assumed that all of such new shares which are not now owned by the organization in question will be voted against it at the next election of directors."

"2. The Board could rule that any company which now owns or controls, directly or indirectly, a number of shares of stock in a member bank which is equal to more than 50 per cent of the number of shares voted for the election of directors at the preceding election is a holding company affiliate."

"3. The Board might disregard the word 'number' in the definition and rule that the definition applies only to an organization which owns or controls, directly or indirectly, at the present time more than 50 per cent of the particular shares actually voted for the election of directors of a member bank at the preceding election."

Messrs. Thomas and Hamlin stated that they had given very careful consideration to the matter and Mr. Hamlin stated that he was of the opinion that the Board should rule that an organization which owns or controls a minority of the stock of a member bank does not become a holding company affiliate under the portion of section 2(c)(1) of the Banking Act of 1933 under consideration until it actually controls an election of directors of the bank by casting a majority of the votes actually cast at such election.

It was pointed out that under either of the interpretations suggested by Mr. Hamlin and Mr. Wyatt none of the corporations involved in the five inquiries received by the Board would be holding company affiliates.

Thereupon Mr. Szymczak moved that, without determining at this time the general principle which should be employed in the interpretation of the provision in question, the Board rule

3/15/35

-3-

that the corporations involved in the inquiries referred to above are not holding company affiliates.

Carried, and, in accordance with the motion, the following letters were approved with the understanding that they would be dispatched immediately without circulation to the members of the Board for initials:

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

"Reference is made to your letter dated January 16, 1935, and inclosures, regarding the question whether the Coremo Company was a holding company affiliate of the Webster and Atlas National Bank of Boston, Boston, Massachusetts, at the time of the 1935 annual meeting of such bank, within the portion of section 2(c)(1) of the Banking Act of 1933 which provides that the term 'holding company affiliate' shall include a corporation which owns or controls, directly or indirectly, 'more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election'.

"From the information contained in your letter the following facts appear: At the 1934 election of directors of the bank 8,714 of the 10,000 outstanding shares of its common stock were voted. The Coremo Company was not in existence at that time. Between the date of the 1934 election and the 1935 meeting, the bank reduced the par value of its common stock from \$100 per share to \$50 per share and issued 10,000 shares of preferred stock having a par value of \$50, of which the directors purchased 5,000 shares. In order to finance the sale of the other 5,000 shares, the Coremo Company was organized for the purpose of borrowing \$250,000 from the Reconstruction Finance Corporation in order to purchase such shares. The directors transferred 25 per cent of their holdings of preferred stock, or 1,250 shares, to the company, thus causing it to hold 6,250 shares, all of which were pledged with the Reconstruction Finance Corporation to secure the loan of \$250,000. At the date of the 1935 annual meeting, the company owned 6,143 shares of the bank's stock.

"On the basis of the above facts, the Board is of the opinion that the Coremo Company was not, at the time of the 1935 annual meeting of the bank, a holding company affiliate of the bank within the above quoted portion of section 2(c)(1) of the Banking Act of 1933.



3/15/35

-4-

"It will be appreciated if you will advise the Webster and Atlas National Bank of Boston and the Coremo Company of the Board's views regarding this matter."

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

"This refers to your letter dated October 11, 1934, with which was inclosed a copy of a letter to you dated October 10, 1934, from Mr. F. M. Howe, president of the Industrial Trust Company, Providence, Rhode Island, regarding the question whether the Industrial Trust Company was, at the time of the 1935 annual meeting of the Mechanics National Bank of Providence, Providence, Rhode Island, a holding company affiliate of such bank within the portion of the definition contained in section 2(c)(1) of the Banking Act of 1933 which provides that the term 'holding company affiliate' shall include any corporation 'which owns or controls, directly or indirectly, \* \* \* more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election.'

"From the information contained in Mr. Howe's letter, the following facts appear: At the 1934 election of directors of the bank, 604 of the 10,000 outstanding shares of its common stock were voted for the election of directors. The trust company owned 6,670 shares of the bank's common stock but did not vote its shares at such election. Between the date of the 1934 election and the 1935 meeting, the bank issued 10,000 shares of preferred stock of which 9,940 were purchased by the Reconstruction Finance Corporation. At the time of the 1935 meeting of the bank the trust company still owned 6,670 shares of the bank's common stock.

"On the basis of the above facts, the Board is of the opinion that the Industrial Trust Company was not, at the time of the 1935 annual meeting of the bank, a holding company affiliate of the bank within the above quoted portion of the definition contained in section 2(c)(1) of the Banking Act of 1933.

"It will be appreciated if you will advise the Industrial Trust Company and the Mechanics National Bank of Providence of the Board's views regarding this matter."

Letter to "The Little Ferry National Bank", Little Ferry, New Jersey:

"This refers to your letter dated December 26, 1934,



3/15/35

-5-

"requesting a ruling by the Federal Reserve Board upon the question whether a corporate stockholder of your bank was a holding company affiliate of the bank at the time of the 1935 annual meeting, within the portion of section 2(c)(1) of the Banking Act of 1933 which provides that the term 'holding company affiliate' shall include a corporation which owns or controls, directly or indirectly, 'more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election'.

"It is understood that at the 1934 election of directors of the bank 78 of the 250 outstanding shares of its common stock were voted. The corporate stockholder in question owned 111 shares of the bank's common stock but did not vote its shares at such election. Between the date of the 1934 election and the 1935 annual meeting, the bank issued 500 shares of preferred stock, all of which were purchased by the Reconstruction Finance Corporation. During the period between the 1934 election and the 1935 annual meeting, the corporation increased the shares owned or controlled by it to 126.

"On the basis of the above facts, the Board is of the opinion that the corporation was not, at the time of the 1935 annual meeting of the bank, a holding company affiliate of the bank within the above quoted portion of section 2(c)(1) of the Banking Act of 1933."

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

"This refers to Mr. Young's letter dated October 3, 1934, regarding the question whether Seaboard Investment Company and Ford Motor Company are affiliates, within the meaning of section 2(b) of the Banking Act of 1933, or holding company affiliates, within the meaning of section 2(c)(1) of the Banking Act of 1933, of The Manufacturers National Bank of Detroit, Detroit, Michigan. Inclosed with Mr. Young's letter was a letter dated September 26, 1934, addressed to the Federal Reserve Board, from the counsel for The Manufacturers National Bank of Detroit, together with other correspondence between such counsel and the Federal Reserve Bank of Chicago.

"In the above-mentioned letter dated September 26, 1934, from counsel for the bank, the following facts are stated: The Manufacturers National Bank of Detroit has outstanding 60,000 shares of stock of which Edsel B. Ford owns 26,280 shares, and Seaboard Investment Company owns 23,000 shares. At the 1934 election of directors of the bank, 33,718 shares were voted. None of the shares owned by Seaboard Investment Company were voted at such election nor did Seaboard Investment

3/15/35

-6-

"Company participate in such election in any way. Seaboard Investment Company is a wholly owned subsidiary of Ford Motor Company. Henry Ford owns 55.21 per cent of the stock of the Ford Motor Company, and Edsel B. Ford and Clara J. Ford own 41.65 per cent and 3.14 per cent, respectively, of the stock of such company. Edsel B. Ford is not in control of the Ford Motor Company but the control of that company is vested in Henry Ford. Neither Henry Ford, Clara J. Ford, nor the Ford Motor Company own any stock of the bank.

"With regard to the question whether Seaboard Investment Company and Ford Motor Company are affiliates of the bank within the meaning of section 2(b) of the Banking Act of 1933, the Federal Reserve Board is of the opinion that the facts contained in the above statement do not show that such an affiliation exists.

"With regard to the question whether Seaboard Investment Company and Ford Motor Company are holding company affiliates of the bank within the meaning of section 2(c)(1) of the Banking Act of 1933, the Board is of the opinion that, on the basis of the above facts, the companies are not holding company affiliates of the bank within the portion of the definition in section 2(c)(1) of the Banking Act of 1933 which provides that the term 'holding company affiliate' shall include a corporation 'which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election'.

"It will be appreciated if you will advise The Manufacturers National Bank of Detroit, Seaboard Investment Company, and Ford Motor Company of the Board's views regarding this matter."

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco:

"Reference is made to your letter dated January 4, 1935, and inclosure, regarding the question whether Chandler Investment Company, Marshfield, Oregon, was a holding company affiliate of The First National Bank of Coos Bay at Marshfield, Marshfield, Oregon, at the time of the 1935 annual meeting of the bank, within the portion of section 2(c)(1) of the Banking Act of 1933 which provides that the term 'holding company affiliate' shall include a corporation which owns or controls, directly or indirectly, 'more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election'.

"It is understood that the facts of the case are as follows: At the 1934 election of directors of the bank, 216 of



3/15/35

-7-

"the 1,000 outstanding shares of its common stock were voted. The investment company owned 474 shares of the bank's common stock but did not vote its shares at such election. Between the date of the 1934 election and the 1935 meeting, the bank reduced the par value of its common stock from \$100,000 to \$50,000 and issued 2,000 shares of preferred stock having a par value of \$25, which were sold to the Reconstruction Finance Corporation. The investment company still held 474 shares of the bank's common stock at the time of the 1935 meeting.

"On the basis of the above facts, the Board is of the opinion that the investment company was not, at the time of the 1935 annual meeting of the bank, a holding company affiliate of the bank within the above quoted portion of the definition contained in section 2(c)(1) of the Banking Act of 1933.

"It will be appreciated if you will advise the bank and the investment company of the Board's views regarding this matter."

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

"Reference is made to your letters dated November 17, 1934 and December 11, 1934, and to Mr. Awalt's letter dated February 13, 1935, regarding the interpretation of the portion of section 2(c)(1) of the Banking Act of 1933 which provides that the term 'holding company affiliate' shall include a corporation which owns or controls, directly or indirectly, 'more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election'.

"The Federal Reserve Board has not yet reached a determination as to the general principle which should be employed in the interpretation of the above quoted provision and, accordingly, is unable at this time to answer your inquiries in full. However, the Board has issued rulings upon five actual cases pending before it, which rulings, it is believed, will cover the majority of cases arising under such provision. A copy of each of the letters written by the Board in these cases is inclosed herewith.

"You will be advised promptly as soon as the Board reaches a further decision concerning the interpretation of this provision."

Mr. Thomas presented a letter dated December 11, 1934, from Mr. Post, Assistant Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, with which was inclosed a letter dated December 4, 1934,



3/15/35

-8-

from Parrish & Company, Philadelphia, Pennsylvania, stating that a customer who had a restricted account with the firm had deposited securities with the firm for the express purpose of having them sold for cash at the proper time or as money was needed, and not to strengthen the account or to form any part of the account, and inquiring whether under the provisions of the Board's Regulation T the securities could be returned to the customer or sold and the proceeds turned over to him. The letter from Mr. Post inquired whether (1) where, under the circumstances stated, the broker places the securities in the customer's account through error, he may correct the error by withdrawing the securities from the account, and (2) the customer may deliver securities to the broker to be held in custody and sold from time to time as directed by the customer and receive the entire proceeds of the sale.

Mr. Thomas stated that counsel's office had prepared a draft of a reply to Mr. Post's letter answering the inquiries in the negative, and that he had discussed the matter with Mr. Parry, Chief of the Division of Security Loans, following which an alternative draft of reply had been prepared. He said that he and Mr. Hamlin had considered the last draft of reply very carefully and were in agreement that the position taken therein was the desirable one, and that he felt that, with certain changes, the draft of reply should be approved, notwithstanding the fact that counsel was of the opinion that the position taken in the draft qualifies ruling No. 35 interpreting Regulation T.

3/15/35

-9-

After a discussion it was understood that Mr. Thomas would make such changes in the draft of reply as he felt were necessary, following which it would be circulated among the members of the Board for consideration.

The minutes of the meetings of the Federal Reserve Board held on March 4, 5, 7, 8 and 11, 1935, were approved.

The Board then acted upon the following matters:

Letter dated March 14, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, advising that, at the meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated March 14, 1935, approved by five members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Your telegram March 13. Federal Reserve Board approves for your bank commitment rate on industrial advances of one per cent per annum, effective as of July 10, 1934."

Approved.

The above telegram was sent as a result of Mr. Peyton's letter of February 14, 1935, which indicated that the rate in effect at the Federal Reserve Bank of Minneapolis on commitments under section 13b of the Federal Reserve Act is 1 per cent "per annum", whereas the Board's files indicate that the Board on July 10, 1934, approved a commitment rate on industrial advances for the Minneapolis bank of 1 per cent "flat" and that Mr. Peyton was so advised by wire on that

3/15/35

-10-

date. Mr. Peyton had advised by telephone on March 13, 1935, that the rate of 1 per cent was passed by the board of directors of the Minneapolis bank and interpreted by the Executive Committee of the bank as 1 per cent per annum and that the words "per annum" should have been inserted in his wire of July 9, 1934, advising of the establishment of such rate.

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

"Receipt is acknowledged of your letter of March 9, 1935, in which you advise that the 'Nebraska State Bank of Valentine, Nebraska', Valentine, Nebraska, whose application for membership in the Federal Reserve System was approved by the Board on January 10, 1935, subject to certain conditions, has advised that it will not attempt to take any definite action towards accomplishing its membership at this time.

"Accordingly, the Board considers the application for membership of the Nebraska State Bank of Valentine, Nebraska as having been withdrawn. The papers comprising the application will be retained as a part of the permanent files of the Board.

"Receipt is also acknowledged of the general voting permit which you were authorized to issue on behalf of the Board to the Bankers Bond & Share Company, Omaha, Nebraska, in the event the bank completed its membership."

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 Flatbush National Bank of Brooklyn in New York', New York, New York, from \$300,000 to \$100,000, pursuant to a plan which provides for the use of the released capital in eliminating a corresponding amount of the least desirable assets in the bank, all as set forth in your memorandum of March 7, 1935.

"It is understood that the bank's capital has recently been



3/15/35

-11-

"increased through the sale of \$125,000 of preferred stock to the Reconstruction Finance Corporation and that the plan of capital reduction does not provide for the sale of any additional preferred stock."

Approved.

Letter dated March 14, 1935, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The National Bank of Charleroi and Trust Company', Charleroi, Pennsylvania, from \$200,000 to \$100,000 pursuant to a plan which provides that the released capital shall be used to eliminate losses and the least desirable assets in the bank, all as set forth in Mr. Awalt's memorandum of February 25, 1935.

"In this connection, it is understood that your office will require the elimination of the estimated losses aggregating \$132,173.50, as shown in the report of examination as of December 10, 1934.

"It is noted from the files of your office submitted with Mr. Awalt's memorandum of February 25, 1935, that the directors of the subject bank advised you on February 6, 1935, as follows:

'As to the examiner's recommendation relative to the Trust Department, if the reduction of capital is approved, it will render this bank ineligible for trust powers, and that Department will be eliminated as rapidly as is consistent with good business, which, of course, will automatically take care of the examiner's recommendation.'

"While the common capital stock of the bank, after the proposed reduction, will be below the amount of common capital required for the organization of State institutions in Pennsylvania exercising fiduciary powers in a city the size of Charleroi, the total capital stock of the bank, including preferred stock issued and outstanding, will be greater than the amount required of State institutions and, in this connection the Federal Reserve Board has heretofore held, in the case of another national bank in Pennsylvania, that both the common capital stock and the preferred stock may be included in computing whether or not the bank has the required amount of capital in order to be eligible to

3/15/35

-12-

"receive permission from the Federal Reserve Board to exercise fiduciary powers.

"It is also noted that the subject bank has no surplus but that after the plan of recapitalization is effected it will have undivided profits in excess of \$50,000. While there is no legal requirement that a national bank exercising fiduciary powers shall maintain a surplus, it is assumed that the bank will build up an adequate surplus as soon as possible.

"In the circumstances, you may wish to advise The National Bank of Charleroi and Trust Company that, in view of its resulting capital structure, it will not be ineligible as a matter of law to continue the exercise of fiduciary powers under the permit heretofore granted."

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

"In considering the application for reduction of capital filed by The National Bank of Charleroi and Trust Company, Charleroi, Pennsylvania, the question has arisen whether in connection with such plan it is necessary for Mellbank Corporation, Pittsburgh, Pennsylvania, to secure a voting permit in order to vote the stock which it owns in said bank. The Board has under consideration several cases involving the question whether holding company affiliate relationships exist in similar circumstances but no general policy has been adopted relative to the action to be taken in such circumstances.

"In order not to delay action on the proposed capital reduction pending the adoption of such policy by the Board and to remove any doubt concerning the right of Mellbank Corporation to vote stock of The National Bank of Charleroi and Trust Company on this proposal, the Board authorizes you to issue a limited voting permit to 'Mellbank Corporation', Pittsburgh, Pennsylvania, authorizing it to vote stock of 'The National Bank of Charleroi and Trust Company', Charleroi, Pennsylvania, for the following purpose:

"At any time prior to April 30, 1935, to act upon a proposal or proposals to reduce the common stock of such bank and to make such amendments to the articles of association and/or by-laws of such bank as may be necessary for such purposes, such proposal or proposals to be in accordance with a plan which shall have been approved by the Comptroller of the Currency and the Federal Reserve Board.

"The issuance of such permit is subject to no conditions other than your approval. In this connection, however, atten-

3/15/35

-13-

"tion is called to the agreement executed by Mellbank Corporation as a condition to the issuance of the limited voting permit prior to the 1935 annual meeting in which Mellbank Corporation agreed to cause The National Bank of Charleroi and Trust Company to make the usual charge-offs and/or eliminations at the earliest date deemed practicable by you and in any event prior to April 30, 1935."

Reply to the following letter dated March 14, 1935, from Mr. Crane, Deputy Governor of the Federal Reserve Bank of New York:

"At present we are carrying in our accounts with the Bank of England approximately £100,000 which is entered on our books at about \$332,000 and which has a value at current exchange rates of about \$477,000. In our accounts with the Bank of France we have slightly over 7,500,000 francs which we are carrying on our books at \$296,000 and which has a current value in the exchange market of about \$500,000.

"Owing to the uncertain state of the foreign exchanges, to the recent inactivity in our accounts with the Bank of England and the Bank of France and to the fact that each of these two banks carries balances with us of around \$250,000, we have concluded that we might properly reduce the size of our accounts in London and Paris to about one-half of the present figures. This would mean approximately £50,000 with the Bank of England and about 4,000,000 francs with the Bank of France. The sale of the sterling and francs which we now hold in excess of these last mentioned amounts would bring a profit, at prevailing exchange rates, of about \$169,000 and we would then be carrying on our books £50,000 at \$3.31 per pound and 4,000,000 francs at 3.90 cents per franc.

"At the meeting of our board of directors today it was voted to approve the recommendation of the officers that our accounts with the Bank of England and the Bank of France be reduced as outlined above. We should appreciate advice as to whether the Federal Reserve Board sees any objection to our effecting such reductions."

The reply read as follows:

"Federal Reserve Board interposes no objection to proposed reduction in balances carried by your bank with two foreign central banks as outlined your letter March 14, 1935."

Approved.



3/15/35

-14-

Memorandum dated March 7, 1935, from Mr. Smead, Chief of the Division of Bank Operations, submitting letters dated February 21 and March 5, 1935, from Mr. Boies C. Hart, Vice President of The National City Bank of New York, New York, New York, which requested authority for the bank's branches in China and in the British Crown Colony of Hong Kong to pay up to 7 per cent on time deposits, and recommending that the Board modify the statement inclosed with its letter of February 8, 1935 (X-9118), so as to permit branches of member banks located in China and in the British Crown Colony of Hong Kong to pay not in excess of 7 per cent interest on time deposits.

Approved.

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

"The Federal Reserve Board notes without objection the action taken by the board of directors of your bank at its meeting on March 9, 1935, as communicated in your letter of March 11, in fixing vacation periods for the officers and employees of your head office, branches and agencies during the year 1935."

Approved.

Letter to Mr. R. G. Harrison, Executive Vice President of the First National Bank in Henderson, Henderson, North Carolina, reading as follows:

"Your letters of February 16, 1935, addressed to Honorable Carter Glass and Honorable Josiah W. Bailey have been referred to the Federal Reserve Board. In your letters you say that State banks in Henderson which are not members of the Federal Reserve System but which are members of the Federal Deposit Insurance Corporation are continuing to pay

3/15/35

-15-

"interest on time and savings deposits at the rate of 3 per cent per annum, whereas the First National Bank in Henderson and other member banks of the Federal Reserve System are not allowed to pay interest on such deposits at a rate in excess of  $2\frac{1}{2}$  per cent per annum, under the provisions of the Federal Reserve Board's Regulation Q.

"You state in your letters that last December you were notified by the Federal Deposit Insurance Corporation that on and after February 1, 1935 you would not be allowed to pay interest on time deposits and savings accounts at a rate in excess of  $2\frac{1}{2}$  per cent per annum, but that later the Federal Deposit Insurance Corporation suspended this action until further notice, pending action of Congress. You suggest that in these circumstances the Federal Reserve Board should suspend its Regulation Q in so far as it relates to the rate of interest which may be paid upon time and savings deposits, until the enactment by Congress of legislation on this subject.

"The Federal Reserve Board is required by section 19 of the Federal Reserve Act to limit by regulation the rate of interest which may be paid by member banks of the Federal Reserve System on time and savings deposits and, while under the law it has power to increase or decrease the maximum rate of interest which may be paid by member banks on such deposits, it may not lawfully suspend altogether the provisions of its regulations limiting such rate of interest. Before the adoption of the amendment to the Board's Regulation Q which became effective February 1, 1935, the matter of the maximum rate of interest which banks should be permitted to pay on time and savings deposits was carefully studied. As a result the Federal Reserve Board concluded that such maximum rate should be  $2\frac{1}{2}$  per cent per annum compounded quarterly and the Board accordingly prescribed such maximum rate for member banks. Having determined as a result of its study of the question that the maximum rate prescribed should be  $2\frac{1}{2}$  per cent per annum, the Board does not feel that the rate payable by member banks should now be increased even though there are nonmember banks which are not prevented by law or regulation from paying a higher rate of interest.

"Your attention is invited to the fact, however, that section 323(c) of the Banking Act of 1935 (H.R. 5357), introduced in Congress on February 5, 1935, provides that every bank whose deposits are insured by the Federal Deposit Insurance Corporation (except mutual savings banks and Morris Plan banks which are not members of the Federal Reserve System) shall comply with the provisions of the last paragraph of section 19 of the Federal Reserve Act and with the

3/15/35

-16-

"rules and regulations prescribed by the Federal Reserve Board pursuant thereto. It is believed that the enactment of this provision would eliminate the competitive situation in which your bank now finds itself. A copy of H.R. 5357 is inclosed herewith."

Approved.

Letter to Mr. John Edgar Hoover, Director of the Federal Bureau of Investigation of the U. S. Department of Justice, reading as follows:

"Reference is made to your letter of February 28, 1935, confirming the request made by Special Agent P. E. Foxworth that the Federal Reserve Board publish in the Federal Reserve Bulletin a request to all member banks to communicate immediately with the nearest field office of the Bureau of Investigation in the event of a bank robbery.

"Your request has been submitted to the Federal Reserve Board and it is felt that your purpose will be more effectively accomplished if the matter is brought to the attention of the member banks as a separate document. Accordingly, the Federal Reserve Board is addressing a letter to the Federal reserve agent at each Federal reserve bank today, suggesting that a copy of the statement contained in your letter (with the third paragraph amended to provide for the attachment of a copy of the list of field offices of your Bureau which was inclosed with your letter), together with a copy of the list of field offices, be sent to each member bank either as a separate communication or as a separate document inclosed with any other matter that may be going forward to the member banks."

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 24 inclosing a copy of a letter received by him from the liquidating agent of The First National Bank of Odeboldt, Iowa, stating that, in view of the fact that the bank may at a later date wish to resume operations and does not,



3/15/35

-17-

"therefore, wish to force its remaining depositors to close their accounts, the bank desires additional time in which to make application for cancelation of its holdings of Federal Reserve bank stock.

"In response to an inquiry addressed to the Comptroller of the Currency the Board has been advised that when a bank is placed in voluntary liquidation its right as an organization to engage in the business of banking is terminated and it cannot resume business as a national bank. In the circumstances it is believed, as indicated in our letter of January 14, that the liquidating bank has had sufficient time in which to have its accounts adjusted with your bank, and accordingly it is suggested that the liquidating agent or committee of The First National Bank of Odeboldt, Iowa, be requested to file an application for the cancelation of the Federal Reserve bank stock outstanding in the name of that bank."

Approved.

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

Mr. G. H. Branaman, to serve at the same time as a director of The First National Bank of Waynesboro, Waynesboro, Virginia, and as a director of the Southern Industrial Loan Corporation, Waynesboro, Virginia, for the period ending January 14, 1936.

Mr. E. W. Barger, to serve at the same time as a director and officer of The First National Bank of Waynesboro, Waynesboro, Virginia, and as a director and officer of the Southern Industrial Loan Corporation, Waynesboro, Virginia, for the period ending January 14, 1936.

Mr. Olaf Oas, to serve at the same time as a director of The First National Bank of Waynesboro, Waynesboro, Virginia, and as a director of the Southern Industrial Loan Corporation, Waynesboro, Virginia, for the period ending January 14, 1936.

Approved.

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

3/15/35

-18-

Applications for ORIGINAL Stock:District No. 7The South East National Bank of Chicago,  
Chicago, IllinoisShares

150      150

District No. 11Junction National Bank,  
Junction, Texas

	33	33
Total	183	183

Applications for ADDITIONAL Stock:District No. 1Fall River Trust Company,  
Fall River, Massachusetts

2

Naumkeag Trust Company,  
Salem, Massachusetts

60

The Windham County National Bank of Danielson,  
Danielson, Connecticut

30

The National Bank of Gardiner,  
Gardiner, Maine

3

The First National Bank of Lewiston,  
Lewiston, Maine

6

The Thomaston National Bank,  
Thomaston, Maine

9

First National Bank of Waterville,  
Waterville, Maine

9

First National Bank & Trust Company of Greenfield,  
Greenfield, Massachusetts

60

The National City Bank of Lynn,  
Lynn, Massachusetts

1

The Millbury National Bank,  
Millbury, Massachusetts

4

The Peoples National Bank of Southbridge,  
Southbridge, Massachusetts

1

Springfield National Bank,  
Springfield, Massachusetts

11	196
----	-----

District No. 2The First National Bank of South Plainfield,  
South Plainfield, New Jersey

4

First National Bank and Trust Company of Amityville,  
Amityville, New York

8

The Farmers National Bank of Hudson,  
Hudson, New York

45

State Bank, Chatham Village, N. Y.,  
Chatham, New York

30

The Citizens Bank of Locke, New York,  
Locke, New York,

2

3/15/35

-19-

<u>Applications for ADDITIONAL Stock: (Continued)</u>		Shares
<u>District No. 2 (Continued)</u>		
Lewis County Trust Company, Lowville, New York	30	
Madison County Trust and Deposit Co., Oneida, New York	33	
The First Trust and Deposit Company of Oriskany Falls, N. Y., Oriskany Falls, New York	12	
Bank of Smithtown, Smithtown Branch, New York	66	
The Southampton Bank, Southampton, New York	<u>30</u>	263
<u>District No. 3</u>		
The First National Bank of Frankford, Frankford, Delaware	15	
The First National Bank of Mays Landing, Mays Landing, New Jersey	18	
The First National Bank of Kane, Kane, Pennsylvania	30	
The Union National Bank of Minersville, Minersville, Pennsylvania	23	
The Plymouth National Bank, Plymouth, Pennsylvania	<u>30</u>	116
<u>District No. 4</u>		
The First National Bank of Brooksville, Brooksville, Kentucky	30	
The First National Bank of Williamsburg, Williamsburg, Kentucky	1	
The First National Bank of Lockland, Lockland, Ohio	<u>84</u>	115
<u>District No. 5</u>		
The First National Bank of North East North East, Maryland	3	
The Merchants National Bank of West Virginia at Clarksburg, Clarksburg, West Virginia	39	
The Ronceverte National Bank, Ronceverte, West Virginia	18	
Greenbrier Valley Bank, Lewisburg, West Virginia	<u>3</u>	60
<u>District No. 7</u>		
American National Bank and Trust Company of Chicago, Chicago, Illinois	60	60



3/15/35

-20-

<u>Applications for ADDITIONAL Stock: (Continued)</u>	<u>Shares</u>
<u>District No. 10</u>	
The Colorado Bank and Trust Company of Delta, Colorado, Delta, Colorado	1
The Hutchinson State Bank, Hutchinson, Kansas	1
Barton County State Bank, Lamar, Missouri	1
Washington County Bank, Blair, Nebraska	3
The Farmers State Bank of Worland, Worland, Wyoming	3
First National Bank in Grand Junction, Grand Junction, Colorado	2
The First National Bank of Limon, Limon, Colorado	1
The National Bank in North Kansas City, North Kansas City, Missouri	2
The Nebraska National Bank of Alliance, Alliance, Nebraska	1
The First National Bank of Chadron, Chadron, Nebraska	6
The City National Bank of Greeley, Greeley, Nebraska	1
The Security National Bank of Laurel, Laurel, Nebraska	1
The First National Bank of Minatare, Minatare, Nebraska	2
The First National Bank of Farmington, Farmington, New Mexico	1
The Alfalfa County National Bank of Cherokee, Cherokee, Oklahoma	2
The Oklahoma National Bank of Clinton, Clinton, Oklahoma	2
Cordell National Bank, Cordell, Oklahoma	1
First National Bank in Frederick, Frederick, Oklahoma	2
The Pauls Valley National Bank, Pauls Valley, Oklahoma	2
The American National Bank of Pawhuska, Pawhuska, Oklahoma	3
The First National Bank at Ponca City, Ponca City, Oklahoma	3
The First National Bank of Prague, Prague, Oklahoma	6
The First National Bank of Kemmerer, Kemmerer, Wyoming	3
	<u>50</u>

3/15/35

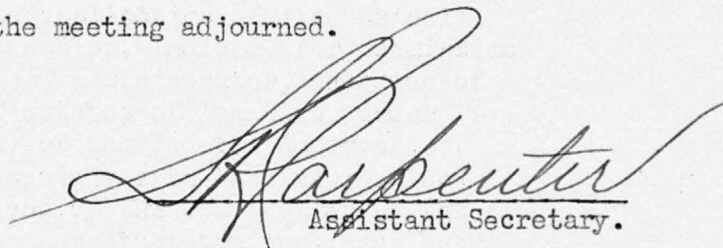
-21-

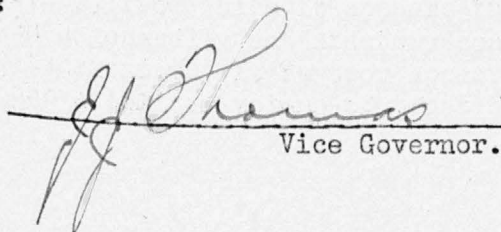
<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 11</u>			
The First National Bank of Littlefield, Littlefield, Texas		1	
First National Bank in Pleasanton, Pleasanton, Texas		1	
The Valley View National Bank, Valley View, Texas		<u>1</u>	3
<u>District No. 12</u>			
The First National Bank of Idaho, Boise, Idaho		2	
Medford National Bank, Medford, Oregon		<u>5</u>	7
		Total	870
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 5</u>			
The Lynchburg National Bank and Trust Company, Lynchburg, Virginia		240	240
<u>District No. 7</u>			
The First National Bank of Glidden, Glidden, Iowa		39	39
<u>District No. 9</u>			
The First National Bank of Carlton, Carlton, Minnesota		3	3
<u>District No. 11</u>			
Bexar County National Bank of San Antonio, San Antonio, Texas		<u>60</u>	60
		Total	342

Approved.

Thereupon the meeting adjourned.

Approved:

  
Assistant Secretary.

  
Vice Governor.