

A meeting of the Federal Reserve Board was held in Washington on Monday, March 18, 1935, at 11:30 a. m.

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

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 13, 1935, were approved and the actions recorded therein were ratified unanimously.

The Board then acted upon the following matters:

Bond in the amount of \$50,000, executed on March 14, 1935, by Mr. Herman A. Sonne as Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco.

Approved.

Letter dated March 16, 1935, approved by five members of the Board, 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 February 23, 1935, in regard to the application of 'The Knisely National Bank of Butler', Butler, Indiana, for permission to act as trustee, executor, administrator, guardian of estates, and committee of estates of lunatics, under authority of Section 11(k) of the Federal Reserve Act.

"Consideration has been given to the information submitted by your office and by the Comptroller of the Currency, from which it appears that the applicant bank is in a generally satisfactory condition and under capable management. It further appears, however, that there is but a limited volume of trust business available and

3/18/35

-2-

"that it is unlikely that a trust department would be a material source of revenue to the bank. In view of this situation, and the adverse recommendation of the Comptroller of the Currency, the Board is unwilling to grant fiduciary powers to the institution at this time.

"You are requested, therefore, to advise The Knisely National Bank of Butler, Butler, Indiana, that the Board has denied its application, but will be glad to reconsider the matter at a later date if it can be established that there is a definite need in the community for a corporate fiduciary and that a trust department would be able to develop a profitable volume of fiduciary business."

Approved.

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

"Receipt is acknowledged of your memorandum of March 13, 1935 with reference to the proposed reduction in common capital stock of 'The First National Bank of Gilman', Gilman, Illinois, from \$50,000 to \$25,000, which was approved by the Board on March 26, 1934, pursuant to a plan which provided, among other things, for the sale of \$25,000 of preferred stock to the Reconstruction Finance Corporation, and for a voluntary contribution of \$12,000 to be made by local interests.

"You now advise that the bank's condition has improved since the original program of capital rehabilitation was formulated. It is understood that the desired eliminations and increase in surplus can be effected through the use of the released common capital, a portion of the bank's undivided profits account, and a voluntary cash contribution by the stockholders of \$9,336 instead of \$12,000 as originally contemplated, and that upon the consummation of the proposed plan the bank will have a capital structure aggregating approximately \$64,915 as compared with deposits of approximately \$419,400. It has been noted also that you recommend that in addition to the reduction in the amount of the voluntary contribution the contributors of the \$9,336 be reimbursed through liquidation of the trustee assets.

"In accordance with your recommendation, the Board amends its previous approval to provide for a voluntary contribution of \$9,336 instead of \$12,000, as originally stipulated, and to permit the contributors to be reimbursed from the proceeds of collections on the assets to be elim-

3/18/35

-3-

"inated, as stated in your memorandum of March 13, 1935, with the understanding that any collections effected on the charge-off assets in excess of the amount of the contribution will revert to the bank, and that the other provisions of the plan as originally approved remain unchanged."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter dated March 5, 1935, transmitting the request of Mr. J. Stewart Baker, Chairman of the Bank of the Manhattan Company, for a further extension of six months from April 1, 1935, within which the bank may dispose of its holdings of stock of 'The County Trust Company', White Plains, New York, as required by the conditions of membership.

"In view of the fact that the bank reports that some progress is being made in negotiations for the disposal of the stock and that you are of the opinion that the bank has been making sincere efforts to effect such disposition, the Board, in accordance with your recommendation, extends to October 1, 1935, the time within which the Bank of the Manhattan Company may dispose of its stock in The County Trust Company, White Plains, New York, as required by the conditions of membership."

Approved.

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

"According to the weekly report regarding the capital rehabilitation program of State member banks submitted by Mr. Evans under date of March 9, 1935, a conference is to be held shortly regarding the condition of 'The Colonial Trust Company', Pittsburgh, Pennsylvania. You have previously stated that you feel that the bank should have \$1,000,000 new capital funds but that the directors apparently will not give consideration to an issue of preferred stock and apparently no other plan has been offered for

3/18/35

-4-

"strengthening the capital. The files of the Board indicate that the bank has charged off substantial amounts during recent years and that for some time you have reported the bank as being in an unsatisfactory condition. It is hoped that with the cooperation of the State supervisory authorities an adequate increase in the capital structure of the bank can be effected and that improvement can be made in its condition.

"The report of examination as of May 26, 1934, made by your examiners, reflects:

Estimated losses		
(other than depreciation in securities)		\$403,000
Depreciation in securities:		
Group 1	102,000 (appreciation)	
Group 2	249,000	
Defaulted bonds	51,000	
Stocks	<u>870,000</u>	1,068,000
Doubtful assets		595,000

"The reports of earnings and dividends for the year 1934 indicate, however, that during the period May 26 to December 31, 1934, the bank has charged off only approximately \$525,000. The reports of earnings and dividends also reflect that during the year the bank paid regular quarterly dividends which aggregated \$156,000. On February 6, 1933, the Board wrote Mr. DeCamp, then Federal Reserve Agent, with reference to the policy of the bank in paying dividends which did not appear justified in view of the estimated losses and the potential losses shown in the latest report of examination then available. In view of the large amount of sub-standard assets reflected by the latest report of examination, it is suggested that you consider the advisability of again discussing with the bank and the State supervisory authorities the matter of conserving earnings until improvements have been effected in the bank's condition.

"The report of examination of May 26, 1934, of the Freehold Bank, Pittsburgh, Pennsylvania, a wholly owned affiliate, indicates that the affiliation has been abused in that the Freehold Bank was reported to be a receptacle for loans to directors, officers, and employees of The Colonial Trust Company and their interests, as well as loans secured in whole or in part by stock of The Colonial Trust Company, and there was some evidence that criticized assets had been exchanged between the two banks. It was also reported that over 82 per cent of the total deposits of the Freehold Bank consisted of deposits of the trust department of The Colonial Trust Company and that the Freehold Bank in turn carried a deposit with The Colonial Trust Company equivalent to over 96 per cent

3/18/35

-5-

"of the total deposits of the Freehold Bank, and that the affiliation was used as a device to enable The Colonial Trust Company to obtain the benefit of the deposit of trust funds with the banking department without the pledge of collateral as required by law. In view of these circumstances, it will be appreciated if you will advise the Board what action has been taken to correct the apparent abuse of the affiliation.

"The report of examination indicated that the management of The Colonial Trust Company needed strengthening and that the president of the bank was devoting a large part of his time to other interests. The examiner reported, however, that subsequent to the examination an outside firm was engaged to review the organization of the bank and to make recommendations as to how the institution could operate more efficiently.

"It will be appreciated if you will keep the Board advised as to the progress made in strengthening the bank, particularly with respect to the increase of capital, elimination of losses and depreciation, and the strengthening of the management."

Approved.

Letter dated March 15, 1935, approved by six members of the Board, to Mr. Worthington, Deputy Governor of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of March 4, receipt of which was acknowledged by Mr. Szymczak on March 6, in regard to a prospective application for an industrial loan of \$5,000,000, to be participated in to the extent of 20 per cent by a member bank, for the purpose of assisting local interests in taking over a manufacturing plant owned by an eastern corporation.

"It appears from your letter that the plant in question is available for purchase for approximately \$7,500,000, subject to a bond issue of \$3,500,000 and that the net quick assets of the company amount to approximately \$3,500,000. It is stated that in case the property were purchased you assume the \$3,500,000 of net quick assets could be liquidated and that amount applied to the purchase price of the property, and that \$3,500,000 of the loan to be obtained from the Federal reserve bank would be used for working capital purposes and \$1,500,000 would be used in part payment for the property.

3/18/35

-6-

"Although it is stated that \$5,500,000 of the proposed advance will be used to supply working capital, it is observed that the present working capital funds of the business would not be increased as a result of the transaction. The amount of \$5,000,000 will be borrowed and the same amount will be paid to the eastern holding company. In the circumstances, on the basis of the information furnished in your letter, there appears to be some question as to whether the proposed advance can properly be regarded as one to provide working capital as required by section 13b of the Federal Reserve Act. It is not clear whether the funds advanced would be used by the persons interested to purchase stock in the existing manufacturing company or whether the transaction would be consummated through the organization of a new corporation or in some other manner. It is not believed that any definite opinion can be expressed with respect to this matter on the basis of the information contained in your letter and the Board feels that the question whether all or part of the advance would be for the purpose of providing working capital as required by the law is one which should have the careful consideration of counsel for your bank and that it should most appropriately be determined by your bank with the assistance of its counsel.

"A four million dollar loan of this type is a relatively large one for your bank, as it is approximately one-half of your present capital and surplus. On the other hand, one-half of the funds which your bank invests in industrial advances is furnished by the Secretary of the Treasury in accordance with the agreement entered into pursuant to subsection (e) of section 13b of the Federal Reserve Act. If a loan complies with the law and the regulations of the Board and is satisfactory from a credit standpoint, the Federal reserve bank may make such loan if it deems it advisable to do so, and the question whether the amount of the loan is too large in relation to the capital and surplus of the bank or in relation to the aggregate amount of industrial advances which it may have outstanding is one which should be determined by the Federal reserve bank in the exercise of a sound discretion.

"With regard to the amount of industrial advances which your bank may make, you will observe that section 13b provides a limitation upon the aggregate amount of such advances which may be made by all Federal reserve banks, and that the Board's Regulation S contains a corresponding limitation with respect to advances by any one Federal reserve bank but the possibility of exceptions is recognized by the regulation as

3/18/35

-7-

"to cases in which the permission of the Federal Reserve Board is obtained.

"The Board is advised by its Counsel that it would have authority pursuant to section 11(b) of the Federal Reserve Act if it deemed it advisable to do so to permit or to require one Federal reserve bank to rediscount the discounted paper of another reserve bank acquired under section 13b of the Federal Reserve Act."

Approved.

Telegram dated March 16, 1935, approved by four members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Re telephone conversation March 15 between Assistant Federal Reserve Agent Fry and Board's Assistant Secretary Bethea. Board has no objection to representative or representatives of your bank appearing at hearing before Judiciary Committee of North Carolina Legislature to be held at Raleigh, North Carolina, in connection with proposed legislation by State Legislature to eliminate State supervision of State member banks and nonmember State banks which are insured by Federal Deposit Insurance Corporation and leaving supervision of such banks to Federal Reserve System and Federal Deposit Insurance Corporation respectively. Board agrees with suggestion which it is understood was made by Governor Seay that it would be preferable for the Federal reserve bank to have an invitation from the Judiciary Committee before any representative appears before that Committee but does not insist that such invitation be obtained if, in view of all circumstances, you should decide that is not essential. It is understood that you contemplate that the reserve bank's representative will furnish such information and lend such assistance as will be appropriate in the premises and will make it entirely clear to Judiciary Committee that he cannot undertake to make any commitments or to bind the System in any way. Board suggests that you consider advisability of having counsel for your bank accompany any representative appearing on behalf of your bank. It is assumed, of course, that you will keep Board advised of any developments and it will be appreciated if you will forward to Board a copy of any bill introduced."

Approved.

3/18/35

-8-

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Ezra T. Doty, Cashier of "The First National Bank of Mifflintown", Mifflintown, Pennsylvania, reading as follows:

"This refers to your letter of February 14, 1935, regarding the right of your bank to pay a certificate of deposit before its maturity date where such a certificate includes the words: 'This bank may require thirty days notice of intention of withdrawal'.

"There is inclosed herewith a copy of the Federal Reserve Bulletin for January 1934, in which is printed, at page 43, a ruling of the Federal Reserve Board holding that a certificate of deposit which will mature at the end of six or twelve months and which gives the holder the right to reduce the term of the certificate to an earlier maturity upon giving thirty days' written notice is a time certificate of deposit within the meaning of the law and the Board's Regulation Q. Without an opportunity to examine a copy of the certificate of deposit to which you refer, the Board is unable to determine definitely when such certificate will mature. If the certificate is payable only at a definite maturity date specified therein and if it otherwise conforms to the definition of a time certificate of deposit contained in the Board's Regulation Q, such certificate may not lawfully be paid by your bank prior to the maturity date so specified. If, on the other hand, the certificate is payable either at a definite maturity date or at any time upon the giving of thirty days' written notice by the depositor prior to repayment, then, in accordance with the principle contained in the ruling of the Board above referred to, such a certificate of deposit may be paid prior to the definite maturity date specified therein upon the giving of written notice by the depositor thirty days prior to such repayment.

"In this connection, however, it should be noted that if the certificate of deposit in question is payable after thirty days' notice of intention to withdraw and does not by its terms require that notice in writing must actually be given before withdrawal, the certificate does not conform to the definition of time certificates of deposit contained in the Board's Regulation Q, a copy of which is inclosed herewith. If such is the case, it is suggested that you give consideration to the adoption of a revised form of certificate which will comply in all respects with the definition of a time certificate of deposit set forth in the regulation; and, for your information in this connection, there

3/18/35

-9-

"is inclosed herewith a copy of the Federal Reserve Bulletin for November 1933, which contains, at page 708, forms of time certificates of deposit which in the Board's opinion comply with such definition."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to Mr. James T. Sterrett, Assistant Cashier of "The Juniata Valley National Bank of Mifflintown", Mifflintown, Pennsylvania, reading as follows:

"This refers to your letter of February 14, 1935, with inclosures, regarding the right of your bank to pay a certificate of deposit before its maturity upon the giving of notice by the depositor thirty days before withdrawal. It appears that the certificate of deposit which you inclose and to which your inquiry relates is payable six or twelve months after date, but that it also contains the following provision: 'To comply with the Federal Reserve Act, this Certificate is payable on thirty days notice'.

"There is inclosed herewith a copy of the Federal Reserve Bulletin for January 1934, in which is printed at page 43 a ruling of the Federal Reserve Board holding that a certificate of deposit which will mature at the end of six or twelve months and which gives the holder the right to reduce the term of the certificate to an earlier maturity upon giving thirty days' written notice is a time certificate of deposit within the meaning of the law and the Board's Regulation Q. In accordance with the principle contained in that ruling, certificates of deposit in the form of that inclosed with your letter may be paid before the expiration of the specified periods therein stated upon the giving of written notice by the depositor thirty days prior to such repayment.

"It is noted, however, that the certificate of deposit which you inclose does not by its terms require that notice in writing must actually be given before withdrawal of the deposit, and the certificate does not conform, therefore, to the definition of time certificates of deposit contained in the Board's Regulation Q, a copy of which is inclosed herewith. Accordingly, it is suggested that you give consideration to the adoption of a revised form of certificate which will comply in all respects with the definition of a time certificate of deposit set forth in the regulation; and for your information in this connection, there is inclosed herewith a copy of the Federal

3/18/35

-10-

"Reserve Bulletin for November 1933, which contains, at page 708, forms of time certificates of deposit which in the Board's opinion comply with such definition.

"The stamped envelope inclosed with your letter is returned herewith."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of February 9, 1935, regarding the payment by the First National Bank, Spearman, Texas, of a certificate of deposit in the form of the sample certificate inclosed with your letter which is payable a specified number of months after date but which bears the notation '30 days notice required for withdrawal'.

"You will recall that there was published in the Federal Reserve Bulletin for January 1934, at page 43, a ruling of the Board holding that a certificate of deposit which will mature at the end of six or twelve months and which gives the holder the right to reduce the term of the certificate to an earlier maturity upon giving thirty days' written notice is a time certificate of deposit within the meaning of the law and the Board's Regulation Q. In accordance with the principle contained in that ruling, a certificate which is payable either at the expiration of a specified period or upon the giving of thirty days' written notice by the depositor prior to repayment may be paid prior to the expiration of the specified period upon the giving of notice in writing by the depositor thirty days prior to such repayment.

"It does not appear, however, that the certificate of deposit inclosed with your letter comes within the principle of the Board's ruling above referred to so as to permit payment of the certificate prior to the expiration of the specified period therein stated upon the giving of thirty days' written notice. The certificate is payable by its terms at the expiration of a specified period, and, while not entirely clear, apparently the holder thereof may not require payment before such period has expired even though it is provided that thirty days' notice must be given before withdrawal. In such circumstances, it is not believed that the certificate in question may lawfully be paid by the member bank before the expiration of the period named therein.

3/18/35

-11-

"You may wish to suggest to the bank the desirability of adoption of a form of certificate of deposit whose terms will not be subject to uncertainty as to the date upon which the depositor may require payment. In this connection your attention is invited to the Federal Reserve Bulletin for November, 1933, which contains, at page 708, forms of certificates which, in the Board's opinion, comply with the definition of a time certificate of deposit set forth in Regulation Q."

Approved.

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

"Retel March 13 Utah Savings and Trust Company. It is assumed that failure to report affiliates was due to failure of member bank to realize existence of affiliation under the terms of the law, and if so the Board will not ask for reports as of past call dates."

Approved.

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

"In connection with the possible applicability of section 32 of the Banking Act of 1933 to the service of Mr. H. Mercer Walker as vice president of The Chase National Bank of the City of New York and as director of the Commercial Credit Corporation, both of New York, New York, you have forwarded with your letter of March 4, 1935 copies of letters containing information regarding the business of this corporation and a copy of a memorandum opinion of counsel for your bank.

"It appears from the information submitted that the Commercial Credit Corporation finances the sale of automobiles and other property on deferred payments, and that the corporation does not buy or sell stock or bonds, or make loans secured by stocks or bonds. Under the circumstances, there appears to be no reason to differ with the conclusion reached by counsel for your bank that neither section 32 of the Banking Act of 1933 nor the Clayton Act is applicable to the relationships referred to above."

Approved.

3/18/35

-12-

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter dated June 12, 1934, in regard to the application of Mr. Joseph J. Thorndike under section 32 of the Banking Act of 1933 for a permit to serve at the same time as vice president and director of the Warren National Bank, Peabody, Massachusetts, and as partner in the firm of Thorndike & Allen, Boston, Massachusetts.

"On June 7, 1934 the Federal Reserve Board notified Mr. Thorndike that the provisions of section 32 were deemed to be not applicable to the relationship covered by his application because of the fact that it appeared that the business of Thorndike & Allen was confined to the purchase and sale of securities as a broker on behalf of others in the open market. The Board also advised Mr. Thorndike that, since it appeared that the carrying of margin accounts constituted a substantial portion of the business of Thorndike & Allen, the relationship in question was prohibited by the provisions of section 8A of the Clayton Act.

"Inclosed in your letter of June 12, 1934 was a letter to you from Mr. Thorndike, in which he stated that, since the death of his partner, Mr. Francis S. Allen, last December, the margin business formerly conducted by the firm has been given up. In view of this statement, it appears that the provisions of section 8A no longer prohibit Mr. Thorndike's service as vice president and director of the Warren National Bank.

"However, Mr. Thorndike's letter of June 9, 1934 raises another question concerning his application. Mr. Thorndike states that, in addition to being a broker, he is an odd lot specialist in four listed stocks. It appears that, if the firm purchases and sells for its own account the stocks in which Mr. Thorndike acts as a specialist, the relationship in question may come within the scope of section 32. In this connection, it will be appreciated if you will obtain from Mr. Thorndike a detailed description of the nature of the transactions entered into by the firm as specialist and, also, a statement showing the percentage of the gross earnings of the firm derived from the business transacted by it as brokers and the business transacted in the purchase and sale of securities as specialist during the past twelve months."

Approved.

3/18/35

-13-

Letter dated March 16, 1935, approved by five members of the Board, to Mr. C. S. Bissell, Hartford, Connecticut, reading as follows:

"The Federal Reserve Board has given consideration to your application under the provisions of section 32 of the Banking Act of 1933 for a permit to be at the same time a director of the First National Bank, Suffield, Connecticut, and a dealer in securities under the name of C. S. Bissell & Co. at Hartford, Connecticut."

"The Board believes that it was the intent of the Congress in enacting section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed."

"It appears that the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application."

"In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent at the Federal Reserve Bank of Boston."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Pinkney W. Love, Easton, Pennsylvania, reading as follows:

"The Federal Reserve Board has given consideration to your application under the provisions of section 32 of the Banking Act of 1933 for a permit to be at the same time a

3/18/35

-14-

"director of the First National Bank of Riegelsville, Riegelsville, Pennsylvania, and a dealer in securities under the name of Pinkney W. Love & Company at Easton, Pennsylvania.

"The Board believes that it was the intent of the Congress in enacting section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

"It appears that the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application.

"In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Charles E. Robertson, Scranton, Pennsylvania, reading as follows:

"The Federal Reserve Board has given consideration to your application under the provisions of section 32 of the Banking Act of 1933 for a permit to be at the same time a director of the First National Bank, Dunmore, Pennsylvania, and a dealer in securities under the name of Charles E. Robertson at Scranton, Pennsylvania.

"The Board believes that it was the intent of the

3/18/35

-15-

"Congress in enacting section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

"It appears that the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application.

"In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Ralph M. Mayerstein, Lafayette, Indiana, reading as follows:

"The Federal Reserve Board has given consideration to your application under the provisions of section 32 of the Banking Act of 1933 for a permit to serve at the same time as director of the First Merchants National Bank and as manager of R. M. Mayerstein Company, both of Lafayette, Indiana.

"The Board believes that it was the intent of the Congress in enacting section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks

3/18/35

-16-

"and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

"It appears that the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application.

"In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent at the Federal Reserve Bank of Chicago."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Sydney M. Shoenberg, reading as follows:

"The Federal Reserve Board has given consideration to your application under the provisions of section 32 of the Banking Act of 1933 for a permit to be at the same time a director of the First National Bank in St. Louis and a dealer in securities under the name of Sydney M. Shoenberg & Company, both of St. Louis, Missouri.

"The Board believes that it was the intent of the Congress in enacting section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers respecting investments in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal

3/18/35

-17-

"terms of the statute but which are actually of a kind different from those at which its provisions are directed.

"It appears that the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application.

"In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent at the Federal Reserve Bank of St. Louis."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to the Federal reserve agents at all Federal reserve banks, reading as follows:

"The Federal Reserve Board recently considered several applications under the provisions of section 32 of the Banking Act of 1933 filed by officers and/or directors of member banks who, as individuals, were primarily engaged in the business of purchasing, selling or negotiating securities.

"After giving careful consideration to its previous position and to all the circumstances involved in the matter, the Board was of the opinion that the provisions of section 32 of the Banking Act of 1933 are applicable to the service of individual dealers in securities as officers or directors of member banks and that the purposes for which section 32 was enacted clearly show that such relationships come within its provisions. Accordingly, the Board reconsidered its earlier ruling contained in its letter of October 30, 1933 (X-7666) and, in harmony with the policy stated in its letter of March 7, 1934 (X-7811) regarding the purposes and intent of Congress in enacting section 32 of the Banking Act of 1933, denied the applications in question."

Approved.

Letter dated March 16, 1935, approved by five members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

3/18/35

-18-

"There are inclosed the original and copies of a Clayton Act permit issued to Mr. C. E. Mahan, Jr., Fayetteville, West Virginia, to serve at the same time as director of The Merchants & Miners National Bank of Oak Hill, Oak Hill, and The National Bank of Ansted, Ansted, both of West Virginia, for transmittal by you to the applicant and the banks involved, and a copy for your files.

"Although Mr. Mahan requested permission to serve as director and employee of The Merchants & Miners National Bank of Oak Hill, the report of examination of this bank as of November 26, 1934, does not indicate that he is an employee and other information submitted indicates that he merely acts as attorney for the institution. Accordingly, the permit has been issued to cover his services as director only of the institutions involved. When the permit is sent to Mr. Mahan please advise him to this effect and inform him that the Board will give consideration to a request for an amendment to the permit in the event he is actually serving as an employee of The Merchants & Miners National Bank of Oak Hill within the meaning of the Clayton Act.

"Please also advise Mr. Mahan and the banks involved 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 dated March 16, 1935, approved by five members of the Board, to applicants for permits under the Clayton Act advising respectively of the issuance of permits by the Board as follows:

Mr. F. Rogers Parkin, to serve at the same time as an officer of The Chase National Bank of the City of New York, New York, New York, and as a director and officer of The First National Bank of Bound Brook, Bound Brook, New Jersey, for the period ending January 14, 1936.

Mr. H. E. Vogelsinger, to serve at the same time as an officer of The Pontiac National Bank, Pontiac, Illinois, and as a director of the State Bank of Graymont, Graymont, Illinois, for the period ending January 14, 1936.

Approved.

3/18/35

-19-

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

Mr. G. A. McCreight, to serve at the same time as a director of The Rembert National Bank of Longview, Longview, Texas, and as a director and officer of The First National Bank of Quitman, Quitman, Texas, for the period ending January 14, 1936.

Mr. Smith Price, to serve at the same time as a director and officer of The Rembert National Bank of Longview, Longview, Texas, and as a director of The Bank of Logansport, Logansport, Louisiana, 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 ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 10</u> The Citizens National Bank in Eureka, Eureka, Kansas	36	36
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 2</u> The National Iron Bank of Morristown, Morristown, New Jersey	81	81
<u>District No. 7</u> First National Bank of Niles, Niles, Michigan	1	1
<u>District No. 9</u> The First National Bank of Dickinson, Dickinson, North Dakota	<u>30</u>	<u>30</u>
	Total	112
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2</u> Central Hanover Bank and Trust Company, New York, New York	3,000	
The Fifth Avenue Bank of New York, New York, New York	<u>120</u>	3,120

Approved.

3/18/35

Thereupon the meeting adjourned.

Chester Mouiel
Secretary.

Approved:

J. J. Thomas
Vice Governor.