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

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

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

The Board acted upon the following matters:

Letter dated April 4, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated April 4 from Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, and Mr. Sonne, Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, all advising that, at meetings of the boards of directors on that date, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegram to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"Your letter April 5. Board approves for your bank, effective immediately, minimum rate of 1% and maximum rate of 2% per annum on commitments to make industrial advances; actual rate to be charged to depend on length of commitment and circumstances."

Approved.

Memorandum dated March 28, 1935, from Mr. Morrill, recommending the appointment of Miss Helen Ramisch as a stenographer in the Secretary's office, with salary at the rate of $1,500 per annum, effective as of the

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date upon which she enters upon the performance of her duties after having passed a satisfactory physical examination.

Approved.

Memorandum dated April 1, 1935, from the Committee on Salaries and Expenditures, submitting a letter dated March 26 from Mr. Worthington, Deputy Governor of the Federal Reserve Bank of Kansas City, which requested approval of a revision of the bank's personnel classification plan to cover a change in the title of a position in the Auditing Department from "General Clerk" to "Supervisor", and a change in the description of work shown for the position of "Assistant Shipping Teller" in the Currency and Coin Department. The memorandum stated that the above changes were made in accordance with the suggestions contained in the Board's letter of March 21, 1935, and that the Committee recommends that they be approved.

Approved.

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

> "This refers to Mr. Young's letter of March 15, 1935, submitting the application of the 'First National Bank of Niles', Niles, Michigan, for permission to act as trustee. It has been observed that this bank has a capital of $100,000 and a surplus of $10,578, and it is understood that Niles, the place in which the bank is located, has a population of approximately 11,300 people.
>
> "As you know, under the provisions of section 11(k) of the Federal Reserve Act, the Board is not authorized to issue a permit to exercise trust powers to a national bank which has a capital and surplus less than the capital and surplus required by State law of State institutions exercising such powers. In this connection, it has been noted that the Counsel for your bank has stated on the back of Form 61(a) that 'a State bank, trust company, or other corporation

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"'doing business in the city' in which the First National Bank of Niles is located is required under the State law to have a capital of '$200,000 for full trust powers' but that he knows of no legal reason why the permit for which the First National Bank of Niles has applied may not be granted in view of the fact that the 'Commissioner of Banking may grant limited trust powers to State Banks with capital less than minimum amount required for granting full trust powers'.

"It is understood from the latest laws of the State of Michigan which the Board has among its records (Act No. 66, P. A. 1929, sec. 1; Senate Bill No. 4, Fifty-Seventh Legislature, Extra Session of 1933) that the Commissioner of Banking of the State of Michigan may permit State banks which have the amount of capital and surplus required for their organization to act as executors and administrators of estates of deceased persons and as guardians of the persons and estates of minors and incompetent persons. It is understood also that Michigan trust companies, which compete to some extent with national banks, may act as trustee and in all of the other fiduciary capacities described in section 11(k) of the Federal Reserve Act when such trust companies have an amount of capital and surplus equal to that required for their organization (Act No. 67, P. A. 1929, sec. 1, and sec. 22, as amended by Act No. 238, approved July 10, 1933).

"In the circumstances, it appears that the Board is authorized to grant only the powers of executor, administrator, guardian of estates and committee of estates of lunatics to a national bank located in Michigan which has the capital and surplus required for the organization of a State bank in the same place and to grant full trust powers, including the power to act as trustee, to such a national bank which has the capital and surplus required for the organization of a trust company similarly located. It appears from the laws referred to above that for the purposes of organization a State bank in a place the size of Niles is required to have a capital of $50,000 and 'a surplus equal to twenty per cent of its capital' and that a trust company similarly located is required to have a capital of $150,000 and 'a surplus equal to twenty per cent of its capital'.

"Accordingly, it appears that the Board does not have authority to grant permission to the First National Bank of Niles to act as trustee with its present amount of capital and surplus and unless, upon a further consideration of the matter, your Counsel feels that State institutions with a capital and surplus equal to that of the First National

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"Bank of Niles are authorized to act as trustee, you are requested to advise the bank of the Board's position. Of course, if the bank should increase its capital and surplus to the amount required for the organization of a trust company in the same place, the Board will be glad to give further consideration to the question whether it should be granted permission to act as trustee."

Approved.

Letter dated April 6, 1935, approved by five members of the Board, to the "Merchants National Bank", Hillsboro, Ohio, reading as follows:

"This refers to the resolution adopted on May 3, 1933, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it 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. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

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"Reference is made to the report of examination of 'Fidelity Union Trust Company', Newark, New Jersey, as at December 18, 1934, your analysis thereof and the copies of correspondence with the bank in connection therewith which you furnished.

"While the condition of the bank appears to have been much improved through the completion of its program for capital rehabilitation, large loans to and investments in the obligations of affiliates and directors' interests, large actual and potential holdings of other real estate and the danger of adverse decisions in connection with the legal actions pending with reference to certain trusts, arising largely from self dealing in the past, remain a problem and should receive the unremitting attention of the management. It is assumed that you are continuing to keep in close touch with the situation and will keep the Board advised as to developments.

"Your correspondence with reference to the payment of interest on deposits in violation of the requirements of Regulation Q has been noted. Please advise the Board as to the steps taken by the bank to conform to the statutory provisions and the requirements of Regulation Q with respect to the payment of interest on deposits.

"Please advise, also, as to what action has been taken with respect to the elimination of the estimated losses and depreciation in securities as shown in the report of examination."

Approved.

Letter dated April 5, 1935, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"This refers to Mr. Dillistin's letter of March 27, 1935 regarding the Board's letter of March 21, 1935 (X-9157) which advised you of the amended authorization under Regulation Q by which member banks were permitted to pay interest at a rate not in excess of 7 per cent per annum on time deposits payable only at offices of member banks located in the Republic of China and the British Crown Colony of Hong Kong.

"Mr. Dillistin points out that there may be some question as to whether or not the cities of Harbin, Mukden, and Dairen are located within the 'Republic of China', and he asks

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"whether this amended authorization permits the payment of interest at this higher rate upon time deposits which are payable only at the offices of The National City Bank of New York which are located in those cities.

"It may be stated for your information that the letters of February 21, 1935 and of March 5, 1935 by which The National City Bank of New York requested this change in the authorization did not mention the question suggested by Mr. Dillistin, and merely requested permission to pay the higher rate on time deposits payable at offices in 'China and in the British Crown Colony of Hong Kong'.

"The Board understands that the terms 'China' and 'Republic of China' may be used interchangeably. While the question whether the cities of Harbin and Mukden located in the territory known as Manchukuo, and the city of Dairen located in the territory known as Kwangtung, are situated in China or the Republic of China may not be entirely free from doubt, the Board feels that for the purposes of its amended authorization referred to in its letter of March 21, 1935, the branches of The National City Bank in these three cities may be regarded as located in China or the Republic of China and, accordingly, that interest may be paid at a rate not in excess of 7 per cent per annum on time deposits payable only at such branches. It is suggested that you so advise The National City Bank of New York."

Approved.

Telegram dated April 5, 1935, approved by five members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Please transmit following message to Mr. Walter W. Smith, President, Federal Advisory Council: 'Mr. Lichtenstein left with me on Tuesday report of Federal Advisory Council on Banking Act of 1935. In accordance with procedure agreed upon at meeting on November 20, 1934, Board feels that Council should meet with Board in Washington on date convenient to Council to discuss report before it is filed with committees or given any publicity. It was also suggested that such meeting might be in lieu of regular meeting of Council in May. Mr. Lichtenstein has been advised orally of Board's action.'"

Approved.

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Letter to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your letter of April 1 in regard to the decision of your board of directors that it would be advisable to hold one meeting of the board of directors each year at the Helena Branch. While the Board was aware of the attitude of your board of directors in this regard, through the receipt of copies of the minutes of the meetings at which this matter was discussed, the Board was not aware that it was expected to take any action upon the matter. However, in view of your letter, the Board has requested me to advise you that it has no objection to the proposed plan."

Approved.

Letter dated April 5, 1935, approved by five members of the Board, to the chairmen of all Federal reserve banks except Atlanta and Minneapolis, reading as follows:

"Under date of October 31, 1934, the Federal Reserve Board addressed a letter to you (X-9004) with regard to the continuance of the operation of the Agency of the Federal Reserve Bank of Atlanta at Havana, Cuba. In that letter it was stated that the Board indorsed the suggestion of the Federal Reserve Bank of Atlanta that the Agency be hereafter operated by that bank for the account of the twelve Federal reserve banks and that the Board had under consideration the necessary details for that purpose. Subsequently you advised the Federal Reserve Board that your board of directors had approved participation in the operation of the Havana Agency as suggested in the Board's letter.

"There has now been prepared a form of agreement between the Federal Reserve Bank of Atlanta and the other Federal reserve banks, copies of which are inclosed, which carries out the suggestion contained in the Board's letter above referred to and agreed to by your board of directors. The agreement in the form inclosed has been approved by the Federal Reserve Board and its counsel and it will be appreciated if you will have the same executed by your bank as soon as possible, after submitting it again to your board of directors if you feel that such resubmission is necessary.

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"Please execute the agreement in triplicate, sending one of the executed agreements to the Federal Reserve Board for its records and the other two to the Federal Reserve Bank of Atlanta, which will execute one of them and return it to you.

"Effective as of the date upon which the operation of the Agency at Havana, Cuba, may commence under the terms of the agreement hereinbefore mentioned, the Federal Reserve Board hereby gives its consent and approval for any Federal reserve bank to carry on and conduct through such Havana Agency any transaction authorized under the terms of the resolutions of the Federal Reserve Board adopted January 27, 1927, and January 3, 1929, relating to the scope of the functions of the Havana Agency, copies of which are also inclosed for your information.

"It is understood that the operation of the Agency at Havana, Cuba, under the terms of the agreement before mentioned will commence with the opening of business on the first day of the month following the month in which the agreement has been executed by all of the Federal reserve banks.

"The Federal Reserve Board expressly reserves the right to revoke at any time its approval of the continuance of the agency at Havana, Cuba, under the terms of the agreement hereinbefore mentioned, and to require the discontinuance of such agency."

Approved, together with a letter also dated April 5, 1935, and approved by five members of the Board, to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"Under date of October 31, 1934, the Federal Reserve Board addressed a letter to you (X-9004) with regard to the continuance of the operation of the Agency of the Federal Reserve Bank of Atlanta at Havana, Cuba. In that letter it was stated that the Board indorsed the suggestion of the Federal Reserve Bank of Atlanta that the Agency be hereafter operated by that bank for the account of the twelve Federal reserve banks and that the Board had under consideration the necessary details for that purpose.

"There has now been prepared a form of agreement between the Federal Reserve Bank of Atlanta and the other Federal reserve banks, copies of which are inclosed, which carries out the suggestion contained in the Board's letter above mentioned. The agreement in the form inclosed has been approved by the Federal Reserve Board and its counsel and it will be appreciated if you will submit it to your board of directors as soon

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"as possible.

"If approved by the board of directors, please have the agreement executed by your bank in triplicate, sending one of the executed agreements to the Federal Reserve Board for its records and the other two to the Federal Reserve Bank of Atlanta, which will execute one of them and return it to you.

"Effective as of the date upon which the operation of the Agency at Havana, Cuba, may commence under the terms of the agreement hereinbefore mentioned, the Federal Reserve Board hereby gives its consent and approval for any Federal reserve bank to carry on and conduct through such Havana Agency any transaction authorized under the terms of the resolutions of the Federal Reserve Board adopted January 27, 1927, and January 3, 1929, relating to the scope of the functions of the Havana Agency, copies of which are also inclosed for your information.

"It is understood that the operation of the Agency at Havana, Cuba, under the terms of the agreement before mentioned will commence with the opening of business on the first day of the month following the month in which the agreement may be executed by all of the Federal reserve banks.

"The Federal Reserve Board expressly reserves the right to revoke at any time its approval of the continuance of the Agency at Havana, Cuba, under the terms of the agreement hereinbefore mentioned, and to require the discontinuance of such Agency."

Letter dated April 5, 1935, approved by four members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your letters of March 13 and 16, 1935, in which you called attention to the fact that the legislature of the State of South Dakota recently enacted a law authorizing State banks to establish offices under certain circumstances for the purpose of receiving deposits, issuing drafts and cashiers' checks, making change, and paying checks. It appears that no such office may be continued in any town or city after an authorized banking corporation has received authority to commence business in such town or city. You requested advice as to whether State member banks may establish offices of the kind authorized by this statute and remain members of the Federal Reserve System and whether State banks which have established such

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"offices may be admitted to membership in the Federal Reserve System assuming that all other conditions are favorable. You called attention to the fact that the provisions of the law of South Dakota in this connection are as follows:

> 'Any bank or trust company operating under the laws of this state is hereby authorized, subject to the approval of the Superintendent of Banks, to establish an office within the county of its domicile, or adjoining counties, for the purpose of receiving deposits, issuing drafts and cashier's checks, making change, and paying checks, and performing such other clerical and routine duties not inconsistent with this act, provided, however, that no such office shall make loans or discounts, and that no such office shall be continued in any town or city after a regular authorized banking corporation has received authority to commence business in such town or city, and provided, that no more than one office shall be established in any one town or city, and, provided further, that nothing in this act shall be deemed as authority for the establishment of branch banks. Nothing in this Section shall prohibit national banks the privilege of this Section whenever they may be so authorized by Federal law.'

"It appears that this law of the State of South Dakota contemplates that the offices which are authorized must be located outside of the cities in which the parent banks are situated. As you know, section 9 of the Federal Reserve Act contains certain restrictions on the establishment and operation of branches by State member banks but also provides as follows:

> 'Provided, however, That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country, on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks.'

"You will note that, under the provisions of section 9 just quoted, a State member bank may establish and operate branches on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by a national bank. Section 5155 of the Revised Statutes of the United States which relates to the establishment of branches by national banks defines a 'branch' of a national bank as follows:

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"'The term "branch" as used in this section shall be held to include any branch bank, branch office, branch agency, additional office, or any branch place of business * * * at which deposits are received, or checks paid, or money lent.'

"In view of the provisions of law referred to above, it appears that Congress intended that the definition of a 'branch' which is applicable to branch offices of national banks should also apply to branch offices of State member banks. Accordingly, since deposits would be received at the proposed offices of State banks in South Dakota, it is clear that such offices would be branches within the meaning of the provisions of the Federal statutes even though such offices may not be in terms designated as 'branches' by the provisions of the State law. The Board, therefore, is of the opinion that State member banks may establish branch offices of the kind contemplated by the law of the State of South Dakota above quoted only if such State member banks comply with the requirements of law applicable to the establishment of branches by national banks. Similarly, a State bank with branches which had previously been established under the South Dakota law could be admitted to membership only upon compliance with the requirements applicable to the establishment of branches by national banks. It has been noted that a similar conclusion was reached in the opinion of your counsel you forwarded to the Board and that he called attention to a ruling of the Board published on page 499 of the Federal Reserve Bulletin for August 1933 in which circumstances similar to those to which you referred were involved.

"Section 5155 of the Revised Statutes of the United States, as amended, among other things, authorizes the establishment by a national bank of branches outside of the city in which the parent bank is situated, with the approval of the Comptroller of the Currency, if such establishment and operation are at the time affirmatively authorized to State banks by the statute law of the State in question. Section 5155 further provides that no national bank shall establish such a branch unless it has a paid-in and unimpaired capital stock of not less than $500,000, except that in States with a population of less than 1,000,000 and which have no cities located therein with a population exceeding 100,000, the capital shall not be less than $250,000, and except that in States with a population of less than 500,000 which have no cities located therein with a population exceeding 50,000, the capital shall not be less than $100,000. Section 5155 further provides that the aggregate capital for every national

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"bank and its branches shall not be less than the aggregate minimum capital required by law for the establishment of an equal number of national banks situated in the various places where such bank and its branches are situated.

"It is understood that the State of South Dakota has a population of more than 500,000 but less than 1,000,000 and that there is no city located therein having a population exceeding 100,000 inhabitants. In the circumstances, a State member bank in South Dakota with a capital of $250,000 could establish branch offices provided, of course, it complied with the aggregate capital requirements of section 5155 above referred to and obtained the approval of the Comptroller of the Currency. You have heretofore been advised of the procedure followed by the Board in presenting applications of State member banks for permission to establish branches to the Comptroller of the Currency.

"Section 202 of the bill, H.R. 5357, which has been introduced in Congress, contains a proposed amendment to section 9 of the Federal Reserve Act which would authorize the Board, in order to facilitate the admission of State banks which have obtained the benefits of insurance to membership in the Federal Reserve System, to waive the capital requirements relating to admission to membership. When the Governor of the Federal Reserve Board recently appeared before the Committee on Banking and Currency of the House of Representatives, he suggested that this provision of the bill, H.R. 5357, be modified so as to authorize the Federal Reserve Board to waive any of the requirements of section 9 of the Federal Reserve Act relating to the admission of such banks to membership. If the Governor's suggested substitute for section 202 of the bill, H.R. 5357, should be enacted into law, the Board could admit State banks in South Dakota which had previously established branch offices under the provisions of the law of South Dakota herein quoted to membership in the Federal Reserve System even though such banks did not have the capital required for the establishment of branches by national banks.

"The Board has also given consideration to the practical difficulties described in your letter of March 23, 1935. As indicated above, amendments to the provisions of the Federal Reserve Act and section 5155 of the Revised Statutes of the United States would be necessary in order to enable State member banks and national banks lawfully to establish branch offices of the kind contemplated by the South Dakota law herein quoted without regard to the minimum capital requirements applicable to the establishment of branches generally.

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"The Board has given careful consideration to the possibility of obtaining amendments to the law which would enable member banks lawfully to establish such branch offices without compliance with such requirements but it does not feel that it is practicable at this time to obtain such amendments.

"I trust that the above will give you all of the information you require in this connection but, if you desire any further advice in the matter, please advise."

Approved.

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

"Receipt is acknowledged of your letter of March 26, 1935, with inclosure, requesting that the Board permit you to furnish copies of the two memoranda inclosed with its letter to you of March 1, 1935, to the counsel for the Clinton Trust Company, Newark, New Jersey, the Reconstruction Finance Corporation, and the Federal Deposit Insurance Corporation, in connection with the suit which has been brought by the estate of Abraham Fischman against the Clinton Trust Company involving the binding effect of the statute of New Jersey under which the Clinton Trust Company was reorganized upon a depositor who did not consent to the plan of reorganization of that trust company.

"While, as indicated in the Board's letter of March 1, 1935, the memoranda are not in suitable form for general distribution, the Board has no objection to your furnishing copies of the memoranda to such counsel for their information and assistance. It has been noted that you and the counsel for your bank are of the opinion that there is no necessity for your bank to participate formally in this suit and that your counsel will follow the matter closely and will give such assistance as he can appropriately to the counsel for the Clinton Trust Company, the Reconstruction Finance Corporation and the Federal Deposit Insurance Corporation. It would seem that the handling of the matter in this way would be adequate in the circumstances, and it will be appreciated if you will keep the Board advised of any further developments in the case.

"On April 1, 1935, the Supreme Court of the United States rendered an opinion in the case of Doty v. Love upholding the validity of a bank reorganization statute of the State of Mississippi, which statute is comparable to the statute under which the Clinton Trust Company was reorganized.

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"The case decided by the Supreme Court was known as Dunn v. Love when it was in the Mississippi courts and was referred to in the Board's letter to you of March 1, 1935. A copy of the opinion of the Supreme Court is inclosed herewith in order that it may be called to the attention of the counsel for the Clinton Trust Company, the Reconstruction Finance Corporation and the Federal Deposit Insurance Corporation."

Approved.

Letter to Mr. E. S. Burns, Cashier of the National Bank of Detroit, Detroit, Michigan, reading as follows:

"Reference is made to your letter of February 5, 1935, addressed to the Comptroller of the Currency, which has been referred to the Federal Reserve Board for reply. In your letter you ask to be advised whether certain deposits by the Treasurer of the State of Michigan consisting of funds advanced by the United States Department of Agriculture, Bureau of Public Roads, should be classified as United States Government funds or as public funds of States in your bank's published statements, quarterly condition reports, and other reports. You also ask to be advised whether such deposits should be listed as United States Government deposits (line 18 of Condition Report, Treasury Form 2130) or as public funds of States (line 17 of Condition Report, Treasury Form 2130).

"It is understood that the deposits in question were made under the following circumstances. Section 204, Title II, of the National Industrial Recovery Act authorizes grants by the President of the United States to the highway departments of the several States to be expended for highway construction in accordance with the provisions of the Federal Highway Act of November 9, 1921. Ordinarily the Federal Government does not pay to the State authorities any part of the money granted under such statutes until all or a part of the construction has been completed. However, where a State was without funds to begin construction the Bureau arranged to make advances of funds to the State treasurer or other custodian to be deposited by him in a special account entitled 'Trust Account -- National Industrial Recovery Highway Fund'. These funds were to be paid out on the order of the State highway department for work performed under the provisions of section 204 of the National Industrial Recovery Act.

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"The trust fund is established under the terms of an agreement between the Bureau of Public Roads and the State highway department, and, in connection with such agreement, the treasurer executes a certificate agreeing to handle the funds in the trust account in accordance with such agreement. The Bureau of Public Roads requires the treasurer to deposit such funds in a separate trust account which shall be secured by a bond or collateral of market value at least equal to the amount of the deposit. The treasurer is required to agree that the funds received by him will be held in trust for expenditures solely on orders from the State highway department, that interest received on such deposits will be paid to the Federal Government, and that the records of his office pertaining to such trust fund shall at all times be open to examination by representatives of the Federal Government.

"It is contemplated that the trust fund shall constitute a revolving fund and that as soon as a portion of the work is completed and payment therefor made by the Bureau of Public Roads the treasurer will use such payment to reimburse the trust fund. The State highway department is required to agree that all payments made by it from the trust fund shall be subject to audit by the Federal Government and that if the work for which any such payment is made does not receive the approval of the Bureau of Public Roads the highway department shall reimburse the trust fund from its own funds.

"On the basis of the above facts the Federal Reserve Board is of the opinion that the deposits in question should not be classified as United States Government funds in the bank's published statements, quarterly reports of condition, or other reports and that such deposits should be listed as public funds of States (line 17 of Condition Report, Treasury Form 2130) and not as United States Government funds (line 18 of Condition Report, Treasury Form 2130)."

Approved.

Letter dated April 6, 1935, approved by five members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Receipt is acknowledged of your letter of March 19, 1935, regarding the application of Mr. Arthur G. Shattuck under section 32 of the Banking Act of 1933 for a permit to be at the same time a dealer in securities in his individual

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"capacity and a director of the Indian Head National Bank, Nashua, New Hampshire. You point out that on April 25, 1934 the Board wrote you stating that it appeared that section 32 was not applicable to the relationships in question, and that you advised Mr. Shattuck accordingly. You now ask whether, in view of the Board's letter of March 16, 1935 (X-9148), in which the Board stated that it believed that section 32 is applicable to the service of individual dealers in securities as officers or directors of member banks, you should take the matter up again with Mr. Shattuck.

"It is suggested that you advise Mr. Shattuck that, after careful consideration, the Board has changed its previous opinion respecting the question, and also that it has been the policy of the Board to deny applications involving relationships which are actually within the intendment of section 32. In this connection, reference is made to the Board's letter of March 7, 1934 (X-7811). However, the information which has been submitted, particularly the applicant's answer to question No. 2 on F.R.B. Form 99a, does not make it entirely clear that he is 'primarily engaged in the business of purchasing, selling, or negotiating securities' within the meaning of section 32; and, therefore, you are requested to advise the applicant that before taking further action in connection with his application the Board will afford him an opportunity of submitting additional information regarding this question."

Approved.

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

"Reference is made to your letter of March 23, 1935, advising that Mr. Hugh C. Whiteford, Kansas City, Kansas, requests an amendment to his Clayton Act permit.

"On June 7, 1934, Mr. Whiteford was granted permission to serve at the same time as officer of The Commercial National Bank of Kansas City, Kansas City, Kansas, and as director of The First National Bank of Osawatomie, Kansas; and it is noted that he is now serving as director as well as officer of The Commercial National Bank of Kansas City and requests that his permit be amended accordingly.

"The Board has approved the request of Mr. Whiteford and there are inclosed the original and copies of an amended permit covering his present services as director and officer of

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"The Commercial National Bank of Kansas City and as director of The First National Bank of Osawatomie, for the period ending January 14, 1936, for transmittal by you to the applicant and the two banks and a copy for your files.

"In view of the Board's letter of April 9, 1934 (X-7856), it is assumed that you are satisfied that Mr. Whiteford is not now serving any organization other than those which he listed in item 12 of F.R.B. Form 94 in his previous application; but it will be appreciated if you will advise the Board regarding this matter in order that its files may be complete. However, if Mr. Whiteford is serving any organization other than those listed in his previous application, please advise the Board regarding the matter and hold the permit pending further advice from the Board.

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

Approved.

Letter to an applicant for a Clayton Act permit advising of the issuance of a permit by the Board as follows:

Mr. M. Scovell Martin, to serve at the same time as an officer of The National City Bank of New York, New York, New York, and as an officer of the City Bank Farmers Trust Company, New York, New York, for the period ending January 14, 1936.

Approved.

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

Applications for ORIGINAL Stock:	Shares	
District No. 7.		
The First National Bank in Wyoming, Wyoming, Illinois.	36	36

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Applications for ORIGINAL Stock: (Cont'd)	Shares	
District No. 10.		
The National Bank of Norfolk, Norfolk, Nebraska.	72	72
	Total	108

Applications for SURRENDER of Stock:		
District No. 1.		
The Peoples National Bank of Marlborough, Marlborough, Massachusetts.	5	
The Wilton National Bank, Wilton, New Hampshire.	21	
The Clement National Bank of Rutland, Rutland, Vermont.	6	32

Approved.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved: M S Eccles
Governor.

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