

A meeting of the Federal Reserve Board was held in Washington on Wednesday, April 17, 1935, at 11:00 a. m.

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

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

The Board acted upon the following matters:

Telegrams dated April 17, 1935, from Mr. Willett, Cashier of the Federal Reserve Bank of Boston, and Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, both 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.

Memorandum dated April 11, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending approval of the appointment of Mr. Maxwell R. Conklin, of the staff of the Division of Analysis and Research of the Federal Reserve Bank of San Francisco, as a junior research assistant in the Board's Division of Research and Statistics, with salary at the rate of \$3,400 per annum, effective as of the date upon which he enters upon the performance of his duties as an employee of the Federal Reserve Board, and with the understanding that it will not be necessary for Mr. Conklin to take the usual physical examination inasmuch as he is at

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present a member of the retirement system.

Approved.

Letter to the board of directors of the "Clymer State Bank", Clymer, New York, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York.

Approved.

Letter to "The United National Bank of Cliffside Park", Cliffside Park, New Jersey, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of New Jersey, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

Approved.

Telegram dated April 16, 1935, approved by three members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing him to issue a limited voting permit to the "First Bank Stock Corporation", Minneapolis, Minnesota, entitling such organization to vote the stock which it owns or controls

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in "The First National Bank of Rolla", Rolla, North Dakota, and "The First National Bank of Leola", Leola, South Dakota, for the purposes set forth in the telegram. The telegram also stated that information received from the office of the Comptroller of the Currency indicates that the shares of The First National Bank of Rolla owned by the applicant were voted at the annual election of directors on January 8, 1935, that since there was no voting permit in force on that date authorizing the applicant to vote for the election of directors of such bank and to act on matters of a routine nature, authority had been included in the telegram permitting the applicant to vote its stock to ratify the action taken at that meeting which may have been illegal because voting of the stock owned or controlled by the applicant was not authorized by a proper voting permit.

Approved.

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

"Reference is made to the memorandum of March 21, 1935, furnished to the Board by your office with reference to the application of 'Perth Amboy Trust Company', Perth Amboy, New Jersey, for a voting permit authorizing it to vote the stock which it owns or controls of 'The Raritan Trust Company of Perth Amboy', New Jersey.

"The Board understands that Raritan Trust Company has 5,000 shares of preferred stock and 2,000 shares of common stock outstanding; that Perth Amboy Trust Company owns 1630 shares of the common stock; that at the 1935 annual meeting of the stockholders of Raritan Trust Company, 3120 shares were voted; that Perth Amboy Trust Company did not vote the shares which it owns at the 1935 annual meeting and did not control the manner in which any of the other shares were voted.

"On the basis of these facts it appears that Perth Amboy Trust Company is not a holding company affiliate of Raritan

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"Trust Company and that it is not necessary for it to secure a voting permit. Accordingly, the Board assumes that Perth Amboy Trust Company does not desire the Board to give further consideration to its application and, in the absence of further word from you, the file will be closed."

Approved.

Letter dated April 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:

"There are inclosed for your confidential information copies of a letter dated April 3, 1935, addressed to the Board by Mr. H. J. Klossner, Assistant Chief, Examining Division, Reconstruction Finance Corporation, and of the report of the Review Committee of the Corporation, both relating to the application made by the Bank of Sturgeon Bay, Sturgeon Bay, Wisconsin, to sell \$100,000 capital debentures to the Corporation.

"In view of the complications resulting from the transfers of assets between the bank and the trust created for the benefit of waiving depositors, it is thought that by affording a background for the conditions imposed by the Corporation in connection with its commitment, the inclosures may be helpful to you in your efforts to have the bank complete its recapitalization program."

Approved.

Letter dated April 16, 1935, and approved by five members of the Board, to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"Your letter of April 3 informing the Board about the proposal made by the Executive Committee of the Federal Reserve Bank of Chicago with respect to discontinuing the publication of the monthly review of business conditions in the Seventh Federal Reserve District has been received.

"As you know, the Federal Reserve Board is at the present time engaged in a careful survey of the statistical divisions of the Federal Reserve banks, their functions, personnel, the extent to which they are used, and the use that is made of the monthly letters. In view of the fact that this investigation

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"is in progress, the Federal Reserve Board has deferred action on the proposal of your Board of Directors until the investigation has been completed and a general policy in the matter has been adopted."

Approved.

Letter to Mr. Charles R. Grant, Vice President of The Washington Loan and Trust Company, Washington, D. C., reading as follows:

"Receipt is acknowledged of your letter of April 11, 1935, addressed to Mr. Paulger, Chief of the Board's Division of Examinations, requesting advice as to whether a sale to the Montgomery County National Bank of Rockville, Maryland, of a \$5,000 real estate note now held by The Washington Loan and Trust Company would be considered as a violation of membership condition numbered 12 to which your bank is subject. It is understood that the Montgomery County National Bank holds a junior lien on the property and desires to purchase the real estate note referred to in order to protect its interests.

"Condition numbered 12 provides that, except with the permission of the Federal Reserve Board, The Washington Loan and Trust Company shall not engage in the business of issuing or selling, either directly or indirectly, notes, bonds, mortgages, certificates or other evidences of indebtedness representing real estate loans or participations therein. It does not appear that, by reason of the transaction described in your letter, The Washington Loan and Trust Company should be considered as engaging in the business of issuing or selling notes or other evidences of indebtedness representing real estate loans, and accordingly the Board does not feel that such a transaction would be in violation of condition of membership numbered 12."

Approved.

Letter dated April 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:

"Further consideration has been given to the application of Mr. Joseph S. Maxwell under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as an officer of The New York Trust Company and as a director of the Reliance Management Corporation, both of New York, New York.

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"It appears that Reliance Management Corporation is a so-called 'investment trust'; that it has never engaged in underwriting or distributing securities and is not a dealer in securities; and that, although purchases for the five years ending December 31, 1933 averaged 85 per cent of the value of the portfolio and sales averaged 66 per cent, such purchases for the year ending December 31, 1934 amounted to 57.3 per cent of the value of the portfolio and sales amounted to 56.7 per cent. The Board has considered the reasons which have been given for the activity in the portfolio in prior years, including the necessity of guarding against a technical default in the bonds of the corporation which were outstanding, and has noted that the corporation is operated under the same management and policies as the Reliance International Corporation, which the Board has heretofore found does not engage in the business referred to in section 32. The Board has accordingly concluded that the activity in the corporation's portfolio was the result of circumstances not connected with the investment policies of its management, and that the corporation should be regarded as engaged merely in the business of investing its funds rather than in the kind of business referred to in section 32.

"Accordingly, a permit under the provisions of section 32 covering the relationships described in the first paragraph of this letter is not necessary, and it will be appreciated if you will advise Mr. Maxwell accordingly.

"Of course, what has been said above applies equally to the application of Mr. Matthew S. Sloan for a permit to serve as director of Irving Trust Company, New York, New York, and as director of Reliance Management Corporation."

Approved.

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

"Consideration has been given to the information submitted with your letter of March 25, 1935 in connection with the application of Mr. Gustav A. Schwenk under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as director of National Bank of Yorkville in New York, New York, New York, and as director and officer of R. H. Securities Corporation, Wilmington, Delaware. It is noted that you and counsel for your bank are of the opinion that the provisions of section 32 are not applicable to the relationships involved.

"It appears that R. H. Securities Corporation was formed in 1927 and that it received certain shares of stock from an

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"individual in exchange for all of the stock of R. H. Securities Corporation. None of the shares or other securities of R. H. Securities Corporation have ever been in the hands of the public. Although a relatively small amount of securities were purchased and sold by the corporation in 1931 and 1932, it appears that, as of December 31, 1934, all of the securities in the corporation's portfolio had been held for at least two years. It further appears that the corporation has never participated in the underwriting, flotation, or distribution of securities.

"In view of this information, the Board believes that section 32 is not applicable to the relationships described in the first paragraph of this letter, and you are requested to advise Mr. Schwenk accordingly."

Approved.

Letter dated April 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:

"Careful consideration has been given to your letter of February 1, 1935 and inclosures with further reference to the application of Mr. Eugene W. Stetson under the provisions of section 32 of the Banking Act of 1933 for a permit to serve W. A. Harriman Securities Corporation and Guaranty Trust Company, both of New York, New York.

"After further careful consideration, on the basis of all the information which has been submitted, the Board is of the opinion that W. A. Harriman Securities Corporation is not engaged in the business referred to in section 32 and that the relationships in question are not relationships of a kind which that section was intended to terminate. In reaching this conclusion, the Board noted particularly that it appears from the fuller statement contained in the letter from Mr. Stokes which you inclosed with your letter of February 1, 1935, that the activities of the corporation are directed primarily towards keeping its funds invested in securities which have relatively the best prospects; that purchases and sales of securities by the corporation are made in the open market on stock exchanges and that the corporation is therefore not a dealer in securities in the sense in which that term is commonly used; and that the volume of purchases and sales by the corporation in relation to its total assets was less than that of any similar organization which the Board has held to be primarily engaged in the business

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"referred to in section 32 in the absence of other facts clearly so indicating. Therefore, a permit covering the relationships described above is not necessary, and it will be appreciated if you will advise Mr. Stetson accordingly.

"Of course, what has been said above applies equally to Mr. W. A. Harriman and Mr. Charles A. Munroe, who are serving that corporation and certain member banks.

"Your letter also refers to the possible applicability of section 32 to Mr. W. A. Harriman's services to Merchant-Sterling Corporation and Orama Securities Corporation.

"In connection with both of these corporations, it appears from the information which has been submitted that 50 per cent of the total outstanding shares is owned by Mr. W. A. Harriman, the balance being owned by his brother, E. R. Harriman; that neither corporation has issued any bonds or securities other than such shares; that such shares have never been offered, sold or distributed to the public; that both corporations are engaged in the business of managing the funds of certain members of the Harriman family; and that neither corporation has participated in transactions involving the issue, underwriting and distribution of securities.

"In connection with both corporations, it appears that purchases and sales of securities during the past five years have averaged less than 20 per cent of total assets per year; and that in the case of Merchant-Sterling Corporation 85 per cent of its portfolio as of November 1, 1934 had been held for over two years, and in the case of Orama Securities Corporation over 70 per cent of its portfolio had been so held.

"On the basis of the information which has been submitted, the Board agrees with the conclusion reached by you and your counsel that section 32 of the Banking Act of 1933 is not applicable to Mr. Harriman because of his relationships to these two corporations, and it will be appreciated if you will advise him accordingly."

Approved.

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

"The Board has given further consideration to the application of Mr. Thomas Bardon under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as chairman of the board and director of The Union National Bank of Ashland,

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"Ashland, Wisconsin, and as president and director of Mining Shares Corporation, New York, New York. As you know, the Board expressed the opinion, on the basis of the information previously submitted, that it appeared that the company was engaged in the business of purchasing, selling and negotiating securities within the meaning of section 32.

"However, the matter has been reconsidered on the basis of the additional information contained in the applicant's letter of January 8, 1935, a copy of which you have forwarded to the Board. It appears that Mining Shares Corporation is a small organization located in New York City, having less than a dozen stockholders and total assets of less than \$50,000; that the corporation does no underwriting or distributing and is not a dealer in securities; and that it is engaged in purchasing securities of mining companies for the purpose of obtaining income and capital appreciation, purchases and sales of such securities being made in the open market through brokers; that the corporation is located over 1500 miles from the national bank; and that there have been no transactions of any kind between the bank and the corporation.

"The application was originally submitted with your favorable recommendation, based upon the absence of any transactions between the bank and the corporation and upon your belief that the applicant's services are of value to the bank.

"Upon further consideration, the Board is of the opinion that the relationships involved are not of a kind which section 32 was designed to terminate and that that section is not applicable to them. Therefore, it appears that no permit is necessary covering the relationships described in the first paragraph of this letter, and it will be appreciated if you will advise Mr. Bardon accordingly."

Approved.

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

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u>		
The National Bank of Commerce in New Orleans, New Orleans, Louisiana	9	9
<u>District No. 7.</u>		
Danforth Banking Company, Washington, Illinois	6	6

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<u>Applications for ADDITIONAL Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 12.</u>		
The First National Bank of Filer, Filer, Idaho	66	
Utah State Bank, Vernal, Utah	1	67
	Total	82
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
Rahway Trust Company, Rahway, New Jersey	60	
Genesee Valley National Bank and Trust Company of Genesee, Genesee, New York	60	
The Mohawk National Bank of Schenectady, Schenectady, New York	4	124
	Total	184
 <u>District No. 3.</u>		
Security Trust Company, Wilmington, Delaware	899	899
 <u>District No. 7.</u>		
The First National Bank of Denison, Denison, Iowa	9	9
	Total	1,032

Approved.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved: [Signature]
Governor.