

A meeting of the Federal Reserve Board was held in Washington on Friday, April 19, 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 minutes of the meetings of the Federal Reserve Board held on March 22, 25, 27, 29, and April 1, 2, 4, 8 and 9, 1935, were approved.

The Board then acted upon the following matters:

Letter dated April 18, 1935, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated April 18 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, and April 19 from Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated April 15, 1935, from Mr. Morrill stating that Miss Helen Ramisch, whose employment as a stenographer in the office of the Secretary was approved by the Board on April 5, failed to pass a satisfactory physical examination, and recommending the appointment of Miss Madeline E. Benton as a stenographer in the Secretary's office, with salary at the rate of \$1,620 per annum, effective as of the date upon

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

Approved.

Telegram to Mr. Moore, Deputy Chairman of the Federal Reserve Bank of San Francisco, reading as follows:

"Your telegram April 18. Board approves leave of absence for three months granted by your directors to Governor Calkins."

Approved.

Memorandum dated April 11, 1935, from the Division of Examinations, which had been circulated among the members of the Board for their information, with regard to the unsatisfactory condition of the Bank of Jamestown, Jamestown, New York.

Noted.

Telegram dated April 18, 1935, approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Re Membership application Farmers State Bank, Alto, Michigan. Board has noted the comments of your special committee relative to admission to membership of banks with deposits of less than \$100,000 and the suggestion that a uniform policy in this respect be adopted for the System as a whole. Board has given the matter careful consideration and feels that in view of the many different and determining factors involved in various cases a definite and uniform policy based solely upon the amount of a bank's deposits should not be adopted at this time but that each application for membership should be considered in the light of the existing circumstances, including the need of a particular community for banking facilities and the possibility of an applicant's successful operation. On the basis of the information submitted with respect to the subject bank the Board would be inclined to approve its application. However, since your special committee has made a qualified recommendation in the case, the Board would be glad to have it reconsider the application and

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"submit a firm recommendation having in mind the general policy set forth in the Board's letter of September 11, 1933, (X-7581) and the views expressed herein."

Approved.

Letter dated April 18, 1935, approved by four members of the Board, to "The National Bank of Logan", Logan, West Virginia, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise limited fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee under deeds of trust to secure debts, the exercise of such right 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.

Letter dated April 18, 1935, approved by four members of the Board, to "The Valley National Bank of Phoenix", Phoenix, Arizona, 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 Arizona, 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.

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

"Receipt is acknowledged of your letter of April 10, 1935, with reference to the reduction of \$50,000 in the common capital stock of 'The First National Bank of Longview', Longview, Washington, and the issuance of \$50,000 of preferred stock by that bank, which was approved by the Board on January 24, 1934, upon the condition, among others, that as the preferred stock is retired the common stock will be correspondingly increased.

"You now advise that the bank desires to retire \$25,000 of its preferred stock without increasing its common stock, and recommend, in view of the satisfactory condition of the institution, that the Board waive the above mentioned condition.

"In accordance with your recommendation, the Board amends its approval of January 24, 1934, of the plan of capital reduction of The First National Bank of Longview, Longview, Washington, by waiving the requirement that as the preferred stock is retired the common stock will be correspondingly increased."

Approved.

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

"The Federal Reserve Board has considered the requests of 'Transamerica Corporation', San Francisco, California, and 'Transamerica Bank Holding Company', San Francisco, California, for limited voting permits under the provisions of Section 5144 of the Revised Statutes of the United States, as amended, to entitle such corporations to vote the stock which they own or control of First National Bank in Reno, Reno, Nevada, and has authorized the issuance by you of the limited voting permits requested, for the following purposes:

At any time prior to July 1, 1935, to authorize the issuance by such bank of common and/or preferred stock in accordance with a plan or plans satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco and approved by the Comptroller of the Currency, and to make such amendments to the Articles of Association and/or by-laws of such bank as shall be necessary for such purposes.

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"Please have the permits authorized herein prepared by counsel for the Federal Reserve Bank of San Francisco in the usual form. It will be appreciated if you will mail to the Board for its records, two executed copies of the permits issued by you under the authorization contained in this letter."

Approved.

Letter dated April 18, 1935, approved by four members of the Board, to Mr. Ralph B. Cook, Vicksburg, Pennsylvania, reading as follows:

"This refers to your letter of April 10, 1935, in which you suggest that member banks of the Federal Reserve System be permitted to pay 3 per cent interest on deposits.

"The Federal Reserve Board is required by law to limit by regulation the rate of interest which may be paid by member banks of the Federal Reserve System on time and savings deposits; and before the change in the maximum rate of interest which became effective February 1, 1935, the matter was carefully studied. As a result the Federal Reserve Board concluded that such maximum rate should be $2\frac{1}{2}$ per cent per annum compounded quarterly and the Board accordingly prescribed such maximum rate for member banks. In view of its determination as a result of its study of the question that the maximum rate prescribed should be $2\frac{1}{2}$ per cent per annum, the Board does not feel that the rate payable by member banks should now be increased.

"Your letter appears to suggest that member banks in Pennsylvania should pay a State tax of four mills on deposits without charging the amount of such payment to the depositors' accounts. In the absence of more detailed information with respect to such tax, the Federal Reserve Board is unable to express any opinion as to whether member banks might lawfully absorb the amount of such tax for their customers but the Board would not in any event have authority to require any member bank to absorb such tax."

Approved.

Memorandum dated April 4, 1935, from Mr. Wingfield, Assistant Counsel, submitting a copy of an opinion of the Supreme Court of the United States handed down on April 1, 1935, in the case of Doty v. Love, with regard to the validity of a bank reorganization statute of the State of Mississippi, and recommending that the opinion be published in the

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next issue of the Federal Reserve Bulletin.

Approved.

Letter dated April 18, 1935, approved by four members of the Board, to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of April 9, 1935 regarding certain questions presented to you by The Ohio-Merchants Trust Company, Massillon, Ohio, with respect to section 22(g) of the Federal Reserve Act.

"It is understood that the trust company's officers and attorneys apparently were not satisfied with certain opinions which you expressed in reply to these inquiries, and that you desire advice as to whether the Board concurs in your views on the questions.

"As you know, the Federal Reserve Board is not specifically authorized to prescribe regulations under section 22(g) of the Federal Reserve Act, and it was pointed out on page 501 of the August 1933 Federal Reserve Bulletin that it was not believed appropriate for the Board to express an opinion as to who should be considered an 'executive officer' within the meaning of the section, since penalties of fine and imprisonment are provided for violations of the section and the determination of the question whether a particular case should be prosecuted for violation is a matter entirely within the jurisdiction of the Department of Justice.

"The same considerations apply to other questions regarding the interpretation of section 22(g) and, therefore, it is not believed appropriate for the Board to express an opinion on the questions presented to you by The Ohio-Merchants Trust Company. Section 325(c) of the proposed Banking Act of 1935 (S. 1715, H.R. 5357), which is now pending in Congress, would give the Federal Reserve Board certain powers of regulation and enforcement under section 22(g), but until some such change is made in the law, it is suggested that persons requesting interpretations of the section be advised of these facts and given such other information (when relevant and not of a confidential nature) as may be available from sources such as the Board's letter of March 22, 1935 (X-9158) advising you of certain views of the Department of Justice regarding the section."

Approved.

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Letter dated April 18, 1935, approved by four members of the Board, to Mr. H. B. Iiams, Chapman-Iiams Company, Bethlehem, Pennsylvania, reading as follows:

"Receipt is acknowledged of your letter of April 3 with further reference to applications of your clients for industrial loans from the Federal Reserve Bank of Philadelphia.

"As was pointed out in our letter of April 1, while the Board is authorized to make regulations under which industrial advances may be granted by the Federal Reserve banks, it does not have authority to pass upon the applications from a credit standpoint. The Board from time to time does ask Federal Reserve banks to review applications for industrial loans filed with them; and we have ascertained upon inquiry that the Federal Reserve Bank of Philadelphia has reviewed the applications referred to in your letter and has had a representative in the field make an investigation in connection therewith. We are also advised that you have been invited to come to the Federal Reserve Bank of Philadelphia for the purpose of reviewing with the officers of the Bank the applications which you have on file with the Bank.

"Although the question whether an industrial loan shall be made is one for the determination of the Federal Reserve Bank to which application is made, the Federal Reserve Board has endeavored in every way possible to encourage applications for such loans. It is the considered policy of the Federal Reserve banks to give sympathetic consideration to applications for such loans and to approve such applications whenever it is felt that such approval may properly be given in view of the provisions of the law and of the credit aspects of the proposed loans. We are confident that in any conference you may have with the Federal Reserve bank with regard to this matter you will find its officers glad to review the matter with you thoroughly and to cooperate with you in every way possible."

Approved.

Letter dated April 18, 1935, approved by four members of the Board, to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"In your letter of April 9 you refer to the Board's letter of October 17, 1934, with regard to the salary of the Manager of

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"the Industrial Loan Department, and ask whether the Board would offer any objections to your having employees of the bank make all industrial loan investigations, both for the Industrial Advisory Committee and the bank.

"As you know, the Board is particularly anxious that no procedure be followed which might be construed as indicating an attempt on the part of the bank to influence in any way the action which the Industrial Advisory Committee may take with regard to any application for an industrial loan, and wishes the Industrial Advisory Committee to be in a position to have such investigations made as it deems advisable. The investigations should, of course, be made by persons who are satisfactory to the Industrial Advisory Committee.

"If, however, the plan you proposed of having all investigations of industrial loan applications made by the investigating force set up directly under Deputy Governor Ziemer is satisfactory to the Industrial Advisory Committee as well as your bank, the Board sees no objections to such a procedure. In fact, according to the Board's understanding, a similar plan is now in effect at a number of other Federal Reserve banks."

Approved.

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

"Receipt is acknowledged of Mr. Fry's letter of April 9, 1935 regarding the Clayton Act permit granted to Mr. J. Wade Bell, Quinwood, West Virginia, to serve at the same time as director and officer of The Winona National Bank, Winona; as director of Bank of Quinwood, Quinwood; and as director of Greenbrier Valley Bank, Lewisburg, all of West Virginia, for the period ending January 14, 1936, which was forwarded to you with the request that it be released to Mr. Bell if you found that his alleged violation of section 22(g) of the Federal Reserve Act resulted from inadvertence or from ignorance or misunderstanding of the law and if Mr. Bell should take steps to correct the apparent violation within a reasonable time.

"Mr. Fry inclosed a copy of a letter dated January 21, 1935 from Mr. Bell to Mr. George I. Neal, United States Attorney, Huntington, West Virginia, in which he stated that he would be glad to file with the directors of the national bank a list of loans which he might have at other banks but that he did not wish to file the complete financial statement showing in detail assets as well as liabilities, which he understood the examiner required. Mr. Bell stated further that, pending further advice

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"from the examiner, he had not qualified either as director or officer of the national bank.

"Under the circumstances, you may feel it desirable to ascertain from the Chief National Bank Examiner what further advice, if any, has been given to Mr. Bell in this connection, because although the examiner may feel that a financial statement such as that described by Mr. Bell is necessary in connection with the proper supervision of the national bank, it does not appear to be required by section 22(g). In this connection, it is assumed that you will ascertain and advise the Board when a final disposition is made of the apparent criminal violation, either as a result of a prosecution or as a result of a final decision not to prosecute after the report required by section 22(g) has been filed, or otherwise.

"Of course, if Mr. Bell is not serving as an officer, director, or employee of any bank organized or operating under the laws of the United States, neither section 8 nor section 8A of the Clayton Act is applicable. Under the circumstances, it is requested that you continue to hold the permit which has been forwarded to you, but it is assumed that you will keep yourself informed as to whether Mr. Bell is serving as an officer or director of the national bank in order that appropriate steps may be taken in connection with his Clayton Act permit when necessary."

Approved.

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

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. D. B. Warnell, Pembroke, Georgia, to serve at the same time as director and officer of The Pembroke National Bank, Pembroke, Georgia, and as director of The Claxton National Bank, Claxton, Georgia, for the period ending January 14, 1936, for transmittal by you to the applicant and the banks involved and a copy for your files.

"It is noted from F.R.B. Form 94b, item 18, that The Claxton National Bank contemplates going into voluntary liquidation to be succeeded by a new State bank. In the event the plans are consummated, it will be necessary for Mr. Warnell to obtain a new permit. Please advise him to this effect and inform him that prior to the opening of the new State bank he may, if he so desires, request permission by letter to serve this institution; and that upon receipt of such request accompanied by F.R.B. Form 94a executed by the new State bank,

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"consideration will be given to such request. This request should, of course, be submitted to you and forwarded to the Board with your recommendation in the usual manner.

"Please also advise Mr. Warnell that the inclosed 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 Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of April 12, 1935, submitting your review and recommendation relative to the Clayton Act permit granted on May 26, 1934, to Miss Louise Muggli, Roscoe, Minnesota, to serve at the same time as director and officer of The First State Bank of Roscoe, Roscoe, Minnesota, and as director of The First National Bank of Cold Spring, Cold Spring, Minnesota.

"The Board has noted the information submitted with your letter of April 12, 1935, and is willing to allow the permit heretofore granted to Miss Muggli to continue in effect."

Approved.

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

"Reference is made to your letter of April 9, 1935, inclosing a copy of a letter dated April 8, 1935, from Mr. Leake Ayres, president of The First National Bank of Gatesville, Gatesville, Texas, relative to the Clayton Act application of Mr. Morton Scott of Gatesville to serve as director of The Gatesville National Bank and as director of The First National Bank of Gatesville, both of Gatesville, Texas, which application was not approved by the Board as indicated in its letter of March 5, 1935, to you.

"The Board has reconsidered the application of Mr. Scott but still feels that the issuance of the permit applied for would be incompatible with the public interest since the banks involved appear to be engaged in the same class or classes of business and so located as to be in a position to

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"compete substantially, and the facts set forth in Mr. Ayres' letter of April 8, 1935, to Assistant Federal Reserve Agent Hall, do not appear to be sufficient to warrant the issuance of the permit. Please inform the applicant accordingly and advise the Board promptly as to what steps Mr. Ayres proposes to take in order to comply with the provisions of the Clayton Act."

Approved.

Letters dated April 18, 1935, approved by four members of the Board, to applicants for Clayton Act permits advising respectively of the issuance of permits by the Board as follows:

Mr. Albert G. Stone, to serve at the same time as director and officer of The Tompkins County National Bank of Ithaca, Ithaca, New York, and as a director of the Ithaca Trust Company, Ithaca, New York, for the period ending January 14, 1936.

Mr. Robert H. Treman, to serve at the same time as a director and officer of The Tompkins County National Bank of Ithaca, Ithaca, New York, and as a director and officer of the Ithaca Trust Company, Ithaca, New York, for the period ending January 14, 1936.

Mr. Arthur Peter, to serve at the same time as a director and officer of The Washington Loan and Trust Company, Washington, D. C., and as a director of the Potomac Joint Stock Land Bank of Alexandria, Washington, D. C., for the period ending January 14, 1936.

Approved.

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

Mr. George S. Moore, to serve at the same time as an officer of The National City Bank of New York, New York, New York, as an officer of the City Bank Farmers Trust Company, New York, New York, and as a director of the First National Bank in Palm Beach, Palm Beach, Florida, for the period ending January 14, 1936.

Mr. A. C. Garland, to serve at the same time as a director of The Peoples National Bank of Lemasters, Lemasters, Pennsylvania, and as an employee of the Potomac Joint Stock Land Bank of Alexandria, Washington, D. C., for the period ending January 14, 1936.

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Mr. Francis J. Kane, to serve at the same time as a director of The National Capital Bank of Washington, Washington, D. C., and as a director of The East Washington Savings Bank, Washington, D. C., for the period ending January 14, 1936.

Mr. J. Warren Andrews, to serve at the same time as an officer of The First National Bank of Montgomery, Montgomery, Alabama, and as a director of the City Bank of Tuskegee, Tuskegee, Alabama, for the period ending January 14, 1936.

Mr. Alfred L. Staples, to serve at the same time as a director of The American National Bank & Trust Company of Mobile, Mobile, Alabama, and as a director of the Merchants and Marine Bank of Pascagoula, Pascagoula, Mississippi, for the period ending January 14, 1936.

Mr. Chas. Collins, to serve at the same time as a director of The First National Bank of Lacon, Lacon, Illinois, and as a director and officer of the State Bank of Speer, Speer, Illinois, for the period ending January 14, 1936.

Mr. D. C. Moore, to serve at the same time as a director and officer of the Waynetown State Bank, Waynetown, Indiana, and as a director of The Citizens National Bank of Crawfordsville, Crawfordsville, Indiana, for the period ending January 14, 1936.

Mr. Harry M. Myers, to serve at the same time as a director of The First National Bank of Lapeer, Lapeer, Michigan, as a director of the First State Savings Bank, Gladwin, Michigan, and as a director of the State Bank of Standish, Standish, Michigan, for the period ending January 14, 1936.

Mr. B. V. Moore, to serve at the same time as an officer of the First National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, and as a director and officer of the Minneapolis Trust-Joint Stock Land Bank, Minneapolis, Minnesota, for the period ending January 14, 1936.

Mr. L. E. Wakefield, to serve at the same time as a director and officer of the First National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, and as a director of the Minneapolis Trust-Joint Stock Land Bank, Minneapolis, Minnesota, for the period ending January 14, 1936.

Mr. A. McC. Washburn, to serve at the same time as a director and officer of the First National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, and as a director of the Minneapolis Trust-Joint Stock Land Bank, Minneapolis, Minnesota, for the period ending January 14, 1936.

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Mr. J. D. Husbands, to serve at the same time as an officer of The Fifth Northwestern National Bank of Minneapolis, Minneapolis, Minnesota, and as an officer of the Northwestern National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, for the period ending January 14, 1936.

Mr. Robert W. Webb, to serve at the same time as a director and officer of the First National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota, and as a director of the Minneapolis Trust-Joint Stock Land Bank, Minneapolis, Minnesota, for the period ending January 14, 1936.

Mr. E. C. Japhet, to serve at the same time as a director of The Harrisburg National Bank of Houston, Houston, Texas, and as an employee of The State National Bank of Houston, Houston, Texas, for the period ending January 14, 1936.

Mr. James H. Simms, to serve at the same time as a director and officer of The First National Bank of New Boston, New Boston, Texas, and as a director of the First National Bank at De Kalb, De Kalb, Texas, for the period ending January 14, 1936.

Mr. E. C. Frisbie, to serve at the same time as an officer of The Anglo California National Bank of San Francisco, San Francisco, California, and as a director and officer of the First National Bank in Yreka, Yreka, California, for the period ending January 14, 1936.

Mr. J. W. Maxwell, to serve at the same time as a director of the Seattle Branch of the Federal Reserve Bank of San Francisco, and as a director and officer of The National Bank of Commerce of Seattle, Seattle, Washington, 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 ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
The First National Bank of Poughkeepsie, Poughkeepsie, New York.	135	135
<u>District No. 6.</u>		
American Bank & Trust Company, New Orleans, Louisiana.	900	900
	<u>Total</u>	<u>1,035</u>

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<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
National Bank of Flint, Flint, Michigan.	180	180
<u>District No. 8.</u>		
Lindell Trust Company, St. Louis, Missouri.	30	
Mississippi Valley Trust Company, St. Louis, Missouri.	600	
Northwestern Trust Company, St. Louis, Missouri.	<u>285</u>	915
<u>District No. 9.</u>		
The First National Bank of Makoti, Makoti, North Dakota.	18	
The First National Bank of Groton, Groton, South Dakota.	48	
The Redfield National Bank, Redfield, South Dakota.	<u>77</u>	143
<u>District No. 10.</u>		
The First National Bank of Albany, Albany, Missouri.	24	24
<u>District No. 12.</u>		
San Jose National Bank, San Jose, California.	<u>381</u>	<u>381</u>
	Total	1,643

Approved.

Thereupon the meeting adjourned.

Chas. M. Mowbray
Secretary.

Approved:

W. S. C. C. C.
Governor.