

A meeting of the Federal Reserve Board was held in Washington on Tuesday, May 14, 1935, at 11:30 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:

Telegram dated May 13, 1935, from Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, stating that the board of directors of the bank, at its meeting on that date, voted to establish a re-discount rate of 2% on rediscounts of eligible paper for member banks and advances to member banks under the provisions of sections 13 and 13a of the Federal Reserve Act, effective the first business day following that on which approved by the Federal Reserve Board. The rate of 2% established by the board of directors of the Federal Reserve Bank of Minneapolis was approved by three members of the Board on May 13, to take effect May 14, 1935.

Approved.

Telegram dated May 10, 1935, from Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, stating that the board of directors of the bank, at its meeting on that date, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

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Memorandum dated May 9, 1935, from Mr. Morrill stating that Governor Eccles had recommended that as soon as the annual leave accrued by Mr. Daiger, Special Assistant to the Board, was sufficient to cover the period of his absence because of illness from December 19, 1934 to January 8, 1935, inclusive, he be paid \$500, the amount of salary which would have accrued during the period had he not been absent, in lieu of his taking the accrued leave. The memorandum stated that Mr. Daiger was absent 13 days and 6 hours (working days) during December and January, and as he had since been absent 1 day and 4 hours, which was charged to annual leave, sufficient annual leave to cover his absence during his illness would be accrued on June 6, 1935. The recommendation was approved by five members of the Board on May 13, 1935.

Approved.

Letter dated May 13, 1935, approved by four members of the Board, to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"The Board has reviewed the report of examination of the Federal Reserve Bank of Minneapolis made as at the close of business March 16, 1935, copies of which were left with you and Governor Geery.

"On page 24 of the report the examiner comments on the policy of the Reserve Bank in giving to member banks located in the portions of the States of Michigan and Wisconsin situated in the Ninth District immediate availability on drafts payable to the Reserve Bank drawn on Chicago and Milwaukee correspondents.

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"It is noted that the examiner's recommendation that the practice be discontinued would be referred to the Executive Committee for consideration, and it will be appreciated if you will advise of the result of such consideration.

"The examiner calls attention (page 22) to the fact that the by-laws of the Helena Branch provide for a meeting of the directors on the second Monday of each month but that since the date of last examination meetings have been held each month on call of the Managing Director and only one of the meetings was held on the day provided in the by-laws. It is observed that the by-laws will be changed to permit meetings on call of the Managing Director, and it is assumed that, in accordance with the usual procedure, the proposed change will be submitted to the Board for approval.

"After the report and this letter have received the consideration of the board of directors of the Federal Reserve Bank, the Board would appreciate advice from you as to what action has been taken or will be taken on the matters discussed."

Approved.

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

"Question raised in connection with issuance of voting permit to The First National Bank of Philadelphia has not yet been acted upon, and Board therefore extends to June 15, 1935, the time within which 'First Trust Company of Philadelphia', Philadelphia, Pennsylvania, may accomplish its membership and within which 'The First National Bank of Philadelphia', Philadelphia, Pennsylvania, its holding company affiliate, may obtain a voting permit. Please advise banks accordingly."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital

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"stock of 'The National Bank of Opelika', Opelika, Alabama, from \$125,000 to \$100,000, pursuant to a plan which provides that the released capital, together with \$5,000 from surplus and approximately \$31,283 from undivided profits, shall be used to eliminate approximately \$61,283 in unsatisfactory assets, all as set forth in your letter of May 6, 1935.

"It is noted that the bank on April 11, 1934, increased its capital by the sale of \$50,000 of preferred stock to the Reconstruction Finance Corporation and that the plan of capital reduction does not contemplate any further increase in capital at this time."

Approved.

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

"Reference is made to the correspondence between your office and the Board in regard to the question of capital sufficiency of the Bank of Lakeview, Lakeview, Michigan, the reorganization of the bank in January, 1934, having resulted in a decrease in the amount of its capital stock from \$40,000 to \$30,000, the amount collected of a 100 per cent stock assessment levied against the old capital stock.

"As stated in the Board's letter to Mr. Young under date of March 9, 1934, a reduction in capital stock by a member bank below the amount required for the organization of a national bank in the same place constitutes a violation of the requirements of the Federal Reserve Act for which the bank's membership in the System might be forfeited, but the question of whether such action should be taken is one of policy for the Board's consideration in view of all the circumstances involved in the particular case.

"The Board, in its letter to you of November 23, 1934, advised that it would take no action at that time with respect to the termination of the bank's membership in view of the recommendation of your office that action in the matter be deferred until April 1, 1935.

"It is now understood, from Mr. Young's letter of May 1, 1935, and the letter from Mr. Fred Marin, Deputy Commissioner of Banking of the State of Michigan, copy of which was transmitted therewith, that the bank is un-

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"willing to increase its present capital, feeling that the present amount of \$30,000 is adequate in comparison with its deposits of approximately \$157,000, and that it contemplates withdrawal from membership in the Federal Reserve System rather than restore its capital to \$40,000.

"Further consideration has been given to the various phases of this matter, including the plan under which the bank's reorganization was effected, the satisfactory asset condition reflected by the report of examination of April 9, 1935, and the existing ratio of net sound capital to deposits, as well as the fact that the bank would be eligible for membership in the System with its present capital and that legislation now under consideration by Congress will, if enacted into law, broaden the Board's discretionary powers in the matter of capital requirements. In view of all the facts and circumstances involved, the Board will take no action at this time affecting the membership of the Bank of Lakeview in the Federal Reserve System by reason of the reduction of capital from \$40,000 to \$30,000."

Approved.

Letter to Mr. Guy L. Wildermuth, Reading, Pennsylvania,
reading as follows:

"This refers to your letter of April 23, 1935, to Governor Eccles, regarding the failure of the Bank of Auburn, Auburn, Pennsylvania.

"The Board has been informed that, at your request, a hearing was held at Auburn on April 10, 1935, by the State Banking Department to afford you an opportunity to present any pertinent information or raise any questions which you might desire regarding the suspension of the Bank of Auburn and subsequent developments. It is understood that the Depositors' Committee was represented by you as its chairman and by another member of the Committee together with counsel for the Committee; that in addition to representatives of the State Banking Department, there were also present representatives of the Attorney General of the State of Pennsylvania; several of the directors of the bank and their counsel; Mr. Sitgreaves, former Deputy Secretary of Banking; Mr. Hill, Assistant Federal Reserve Agent at the Federal Reserve Bank of Philadelphia; and Mr.

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"Brittain, counsel for the Federal Reserve Bank of Philadelphia. In the circumstances, it would seem that your Committee has been given a full opportunity of being heard in the matter before the various parties concerned, and, since the Bank of Auburn was organized under the laws of the State of Pennsylvania and is in the hands of the appropriate authorities of that State, that it would not be appropriate for the Board to take any action in the matter.

"According to the Board's information, the difficulties of the bank arose from its operations during the first year of its organization and as soon as the unsatisfactory situation was disclosed by an examination steps were taken by the supervisory authorities to correct the situation. From the record before the Board, it is apparent that the action taken by the office of the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia with respect to the Bank of Auburn was with the best interests of the depositors of that bank in mind."

Approved.

Letter dated May 13, 1935, approved by four members of the Board, to Governor Calkins, Chairman of the Governors' Conference, reading as follows:

"Replies to the Board's letter of February 26, 1935, B-1063, requesting advice as to the practice of the Federal Reserve banks in placing coupons, bonds, scrip, stock certificates, etc., in the ordinary mails instead of dispatching such matter by registered mail, indicate that the Reserve banks do not have a uniform policy in this respect. Some of the banks, according to the replies, feel that the practice of using the ordinary mails for this type of matter should be discouraged, while others are of the opinion that considerable savings may be effected, at little or no risk, by using the ordinary mails rather than the registered mails.

"There is inclosed, for your information, a memorandum containing excerpts from the replies to the Board's letter which reflect the attitude of the various banks, and also a statement showing, by banks, the estimated savings which have resulted from the practice of dispatching coupons, bonds, etc., by ordinary mail instead of by registered mail.

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"In view of the difference of opinion of the Federal Reserve banks on this subject, the Board feels that it might be helpful if the question were discussed at a conference of the governors of the Federal Reserve banks and, accordingly, it is requested that the matter be made a topic for inclusion in the program of the next Governors' Conference."

Approved, together with a letter to Mr.
C. B. Eilenberger, Third Assistant Postmaster
General, reading as follows:

"Reference is made to the Board's letter of February 26, 1935, which stated, in reply to your letter of February 14, 1935 (89608-R), that the governor of each Federal Reserve bank had been requested to advise the Board as to the present practice of the Reserve bank with regard to the use of the ordinary mails in shipping coupons, bonds, scrip, stock certificates, etc.

"The information requested has now been received from all Federal Reserve banks and the replies indicate that several of the banks use the ordinary mails rather than the registered mails for dispatching certain coupons, bonds, etc. These banks are of the opinion that with little or no risk considerable savings may be effected by forwarding such matter by the ordinary mails and, therefore, prefer to continue their present practice in this respect. In view of the fact that there is some difference of opinion on this subject, the Board feels that the question should be discussed at a conference of the governors of the Federal Reserve banks and, accordingly, has requested that the subject be included in the program of the next Governors' Conference. After the Governors' Conference has considered this topic, the Board will communicate with you further."

Letter to Mr. Arthur J. Linn, Secretary of The National Association of Bank Auditors and Comptrollers, Washington, D. C., reading as follows:

"I have your letter of May 1, suggesting that a representative of the Federal Reserve Board be designated to work with a special committee representing the National Association of Bank Auditors and Comptrollers and with

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"representatives of State banking authorities to investigate the possibilities and work toward the development of an accepted set of standard forms for reports of condition, earnings and dividends, etc.

"We shall be glad to cooperate in this matter and have designated Mr. Smead, Chief of the Board's Division of Bank Operations to meet with your committee. It is suggested that you communicate with Mr. Smead with regard to the date of your meeting.

"The interest of your organization in this subject is appreciated, and any suggestions and recommendations that your committee may wish to make after its study is completed will be carefully considered by the Board."

Approved.

Letter to Mr. Philip R. Clark, Chairman, Committee on Unification of the Reserve City Bankers Association, Chicago, Illinois, reading as follows:

"This refers to your letter of May 4 advising the Board that the Reserve City Bankers Association at its 1934 convention appointed a special committee to study the possible unification of report forms and asking the Board to appoint a representative to work with your committee and with representatives of other Federal and State authorities. We shall be glad to cooperate with your committee in this matter and have designated Mr. Smead, Chief of the Board's Division of Bank Operations, to work with your committee.

"The interest your association is taking in these matters is greatly appreciated and I wish to assure you of our desire to cooperate in every way in any plan which has as its object the unification of report forms used by banks in furnishing information to supervisory authorities. A uniform reporting system would not only reduce the work of the banks but would produce more valuable information for the use of supervisory authorities."

Approved.

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

"Receipt is acknowledged of your letter of May 6, 1935, with reference to the application of C. E. Conrad Estate, Inc., Kalispell, Montana, for a voting permit authorizing it to vote the stock which it owns or controls of The Conrad National Bank of Kalispell, Montana, and submitting information relating to the possible termination of the holding company affiliate relationship.

"The Board understands that The Conrad National Bank of Kalispell has outstanding 1000 shares of common stock and 2000 shares of preferred stock; that C. E. Conrad Estate, Inc. owns or controls 505 $\frac{3}{5}$ shares of the common stock; that the Reconstruction Finance Corporation owns all of the preferred stock; that at the 1935 annual meeting 867.6 shares of the common stock and all of the shares of preferred stock were voted; that C. E. Conrad Estate, Inc. owned or controlled 505 $\frac{3}{5}$ shares voted at that meeting; that the proxy of the Reconstruction Finance Corporation had no connection with either The Conrad National Bank of Kalispell or C. E. Conrad Estate, Inc.; and that the instructions given by the Reconstruction Finance Corporation to its proxy read in part as follows:

"You are instructed to vote in the election of the Chairman and the Secretary of the meeting, and as a proxy of the Reconstruction Finance Corporation, you are instructed to be cooperative with the holders of the majority of voting stock, held by others than this Corporation, to the end that the policies and plans of that majority in the selection of Directors and the conduct of the bank's affairs may be effectuated. Such limitation on your power may be disregarded in instances where action is proposed clearly inimical to the interests of this Corporation."

"On the basis of these facts, the Board agrees with your conclusion that C. E. Conrad Estate, Inc. is not now a holding company affiliate of The Conrad National Bank of Kalispell and, accordingly, it is assumed that no further consideration need be given to the application for a voting permit. If, however, there are any further facts which you feel should be called to the Board's attention, the Board will be glad to give further consideration to the matter. In the absence of such facts, you may advise C. E. Conrad Estate, Inc. and The Conrad National

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"Bank of Kalispell in accordance with this letter. It may be noted that if the Reconstruction Finance Corporation should at any future time execute a proxy to C. E. Conrad Estate, Inc., or a person under its control, a further question might arise with reference to the existence of a holding company affiliate relationship, and it is suggested that you call this fact to the attention of C. E. Conrad Estate, Inc."

Approved.

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

"This refers to Mr. Sonne's letter of April 12, 1935, relative to the possible existence of a holding company affiliate relationship between Valima Securities Corporation, Yakima, Washington, and Yakima Valley Bank and Trust Company, Yakima, Washington.

"It appears that Yakima Valley Bank and Trust Company was reorganized under the terms of a 'Plan for Reopening' prepared by the Supervisor of Banking of the State of Washington under date of November 16, 1933. The Plan read in part as follows:

"At least 51% of the capital stock of the bank shall be placed in the hands of the Valima Securities Corporation as additional security for the loan hereinafter described to be obtained from the Reconstruction Finance Corporation and for the final payment of the deferred or waived portion of the deposits of the bank. This pledge of stock will be accompanied by authorization in the Valima Securities Corporation whenever desired by it prior to the retirement of said loan and deferred deposits of the right to vote the same. The superadded liability will still remain on the actual owners of the stock."

"It further appears that pursuant to this plan Yakima Valley Bank and Trust Company and Valima Securities Corporation executed an agreement dated February 10, 1934, which read in part as follows:

"It is agreed that at least 51% of the capital stock of the bank shall be placed in the hands of the Corporation as additional security for said loan from the Reconstruction Finance Corporation and for the final payment of the deferred or waived portion of the

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"deposits of the bank. The Corporation is hereby authorized to vote said stock whenever it shall elect so to do and agrees to vote the same in such manner and for or against such persons, resolutions, motions and propositions as may be directed from time to time by said Reconstruction Finance Corporation until the repayment of said loan and thereafter as may be directed by said Supervisor of Banking until the payment in full of said deferred deposits, but the superadded liability incident to the ownership of such stock shall remain on the actual owners thereof."

"It is understood that in connection with the reorganization of the bank certain of the stockholders surrendered their stock to the bank which in turn issued to Valima Securities Corporation an 'interim' certificate for 765 shares (51% of the outstanding shares). Subsequently, it was deemed advisable to issue the certificates of stock to the individual stockholders and to deliver such certificates, properly indorsed, to Valima Securities Corporation in lieu of the 'interim' certificate. In this connection, a trust agreement was prepared in October, 1934, for execution by the individual stockholders and Valima Securities Corporation, as trustee. Apparently the execution of this agreement has not yet been completed but will be within a short time. This trust agreement reads in part as follows:

"Said Trustee and said Reconstruction Finance Corporation, in the event of a transfer of said certificates to it, are hereby given full power and authority to carry out all the terms and conditions of said plan (of reopening) as specified thereby including the right to vote said stock and sell and dispose of the same as therein provided; * * *."
(Words in parenthesis added).

"It is understood that the stock pledged with Valima Securities Corporation has in turn been pledged with the Reconstruction Finance Corporation as security for a loan obtained from that Corporation but the Board is not advised concerning the provisions of the pledge agreement with reference to the voting of this stock by the Reconstruction Finance Corporation. It is noted that representatives of the Reconstruction Finance Corporation have orally indicated that that Corporation does not care to vote the bank stock unless some occasion should arise making such action desirable on its part. It is noted that practically all of such stock was voted by the individual stockholders at the bank's last annual meeting and that none of it was voted by Valima Securities Corporation. In his letter of April 8,

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"1935, Mr. L. B. Vincent, Vice President, Yakima Valley Bank and Trust Company, states:

"The Valima Securities Corporation does not interpret the agreement referred to in paragraph two above as giving it the power to vote such stock except under the specific direction of either the Reconstruction Finance Corporation or the Supervisor of Banking of the State of Washington. * * * The primary function that the corporation was intended to perform in connection with the bank reorganization was that of a collecting agent and to a limited extent a trustee with no power of control at all of the actions of the bank and we deem it of vital importance to the welfare of the bank that the corporation have nothing to do with the bank's management except insofar as it might act as a mere agent under instructions from the other authorities involved. So far as any control is concerned as between the two corporations the plan was intended to work just the other way, inasmuch as the bank is quite vitally interested in the liquidation of the assets transferred by it to the corporation for collection and as a matter of fact the Board of Directors and officers of the bank keep in quite close touch with the progress of the liquidation being carried on by the corporation.'

"It appears from the facts as above stated that Valima Securities Corporation is not the beneficial owner of the stock in question; that the individual stockholders retain the right to vote the stock until such time as Valima Securities Corporation shall see fit to exercise its right to vote it; that Valima Securities Corporation agreed in its contract with the bank that it would vote such stock as directed by the Reconstruction Finance Corporation or the State Supervisor of Banking; that that corporation has not in fact exercised control over the stock.

"In view of all the circumstances of the case the Board agrees with the conclusion of your counsel that Valima Securities Corporation is not now a holding company affiliate of Yakima Valley Bank and Trust Company and, in the absence of any further facts which you believe should be called to the Board's attention, you will please so advise the bank."

Approved.

Letter dated May 13, 1935, approved by four members of the

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

"Consideration has been given to the information forwarded with your letter of May 2, 1935 in connection with the applications of Mr. Arthur S. Kleeman under the provisions of section 32 of the Banking Act of 1933 for permission to serve at the same time as director of Colonial Trust Company, New York, New York, and as director and officer of Arthur S. Kleeman & Company, Inc., Home and Foreign Securities Corporation, and Oils & Industries, Inc. It is noted that you and counsel for your bank are of the opinion that section 32 is not applicable to these relationships.

"It appears that Arthur S. Kleeman & Company, Inc. does no underwriting or distributing of securities; that it was formed merely for the purpose of handling the personal interests of Mr. Kleeman; and that none of its securities are in the hands of the public. It also appears that, at the end of the year 1933, and at the end of the year 1934, all of the securities in the corporation's portfolio had been held for more than twenty-four months.

"It appears that Home and Foreign Securities Corporation is an investment company and that it does not participate in the underwriting or distribution of securities. It further appears that purchases and sales of securities in the corporation's portfolio showed only moderate activity during the years 1930 to 1933, inclusive, and that although there was a relatively large turnover during the year 1934 approximately three-fourths of this turnover resulted from the purchase of a block of the securities of Oils & Industries, Inc., which Mr. Kleeman states was 'made purely for investment', and the sale of securities to provide funds for that purchase. It further appears that 47.33 per cent of the securities in the corporation's portfolio in the year 1934 had been held for over twenty-four months. The remaining 52.67 per cent had been held for less than six months but consisted almost entirely of the securities of Oils & Industries, Inc., referred to above. The corporation has sold or distributed none of its own securities during the past three years.

"It appears that Oils & Industries, Inc. is an investment company and that it has not participated in any syndicates since May, 1932, when Mr. Kleeman became connected

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"with it; that purchases of securities for its portfolio during the years 1932 to 1934 inclusive averaged 12.7 per cent of the total assets and sales averaged 41.4 per cent; that, at the end of 1934, 56.17 per cent of the securities in its portfolio had been held for twenty-four months or more, and 18.46 per cent had been held for six months or less; and that no securities of the corporation have been sold or distributed during the past three years.

"On the basis of the information submitted, the Board believes that section 32 of the Banking Act of 1933 is not applicable to the relationships mentioned in the first paragraph of this letter, and it will be appreciated if you will advise Mr. Kleeman accordingly."

Approved.

Letter dated May 13, 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:

"Consideration has been given to the additional information forwarded with your letter of April 8, 1935 in connection with the application of Mr. Edwin P. Maynard under the provisions of section 32 of the Banking Act of 1933 for a permit to serve at the same time as officer and trustee of Brooklyn Trust Company, Brooklyn, New York, and as director of Capital Administration Company, Ltd., New York, New York. It is noted that, on the basis of the information which has now been submitted, you and counsel for your bank are of the opinion that section 32 should not be regarded as applicable to the relationships in question.

"It appears from the information which has been submitted that Capital Administration Company, Ltd. is a so-called 'investment trust' engaged in investing and reinvesting its funds in securities, and that it does not engage in transactions involving the issue, underwriting or distribution of securities. A statement of its investment policies has been submitted, accompanied by an analysis designed to show that only such changes are made in its investment portfolio as are required by a sound and conservative investment policy and that the company has not cared to attempt, nor considered itself equipped to attempt, to take advantage of market fluctuations to obtain speculative profits. It appears that purchases and sales of securities by the company during the past five years, omitting purchases and sales of

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"United States Government securities and of the company's own securities, were equivalent to the following percentages of its total assets:

<u>Year</u>	<u>Purchases</u>	<u>Sales</u>
1930	62.39	64.77
1931	43.56	55.19
1932	39.87	29.92
1933	50.03	51.38
1934	46.28	48.05
Average for five years	49.6	48.7

"In this connection it appears that in June 1932 arrangements were completed whereby the corporation obtained investment advice from Tri-Continental Corporation. The company therefore feels that the figures for the three years from 1932 are the best measure of the activities of the company as it exists today. For this period, the purchases averaged 45.39 per cent and sales, 36.45 per cent. The divergence between purchases and sales is explained by the fact that the indenture under which the company's 5 per cent debentures, Series A, were issued provides that the company will at all times maintain current assets in an amount not less than 125 per cent of the aggregate principal amount of the outstanding funded obligations issued by it. Because of shrinkage in the value of its portfolio, the company was forced during 1931 to sell other securities and purchase United States Government securities, and, when this process was later reversed, purchases of securities other than United States Government securities exceeded sales.

"It further appears that the securities in the company's portfolio as of December 31, 1933 had been held for the following periods in the following percentages:

Held less than 6 months	23.00
Held 6 to 12 months	24.06
Held 12 to 24 months	22.71
Held over 24 months	<u>30.23</u>
	100.00

"It also appears that since 1929 the company has not issued or sold any of its own shares or other securities, although it has repurchased in the open market some of its debentures and preferred stock.

"As you know, the Board stated in its letter of October 20, 1934 that, on the basis of the information which had then been submitted, the provisions of section 32 were apparently applicable to the relationships covered by this application. The matters particularly referred to in the Board's letter

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"were the relatively high rate of turnover in the company's portfolio and the absence of definite information regarding the periods during which securities had been held in the company's portfolio. As stated above, definite information has now been received regarding the latter. With respect to the rate of turnover, the revised figures which have been submitted are considerably lower than those which were the basis of the Board's earlier consideration. It appears that the difference results (a) from the inclusion of the year 1934 in the five-year period covered and the corresponding omission of the year 1929 during which a large portion of the purchases represented initial investment of the company's funds, (b) from the omission of purchases and sales of United States Government securities, which manifestly were not purchased for speculative purposes but in order to conserve idle funds awaiting investment in other securities or to guard against the provision in the debenture indenture referred to above, and (c) from the fact that the previous figures were calculated on the basis of the average value of the company's assets at the beginning and at the end of the respective year, whereas the revised figures were calculated on the basis of cost. In view of the great decline in the general market value of securities, this last change has produced a considerable difference in the percentages shown; but it appears that, even if this change in basis had not been made, a rate of turnover of only slightly more than 50 per cent per year would have been shown for the years 1932 to 1934, inclusive.

"On the basis of the additional information which has been submitted, the Board is of the opinion that section 32 of the Banking Act of 1933 is not applicable to the relationships described in the first paragraph of this letter. Of course, this conclusion is equally applicable to Mr. Alfred M. Ellinger, who has filed an application covering his service as a director of Capital Administration Company, Ltd. and as an officer of Central Hanover Bank and Trust Company, New York, New York. It will be appreciated if you will advise the applicants accordingly."

Approved.

Letter dated May 13, 1935, approved by four members of the Board, to Mr. Clark, Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

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"Receipt is acknowledged of your letter of May 4, 1935, inclosing the application of Mr. Ernest O. Spencer 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 Capital National Bank in Jackson and as president of the Mortgage Bond & Trust Company, both of Jackson, Mississippi. You point out that the Mortgage Bond & Trust Company appears to be engaged primarily in the business of dealing in municipal bonds, and that although you have advised the applicant that the Board's general policy has been not to grant applications covering relationships of the kind here involved in the absence of exceptional circumstances, the only information you have received regarding the question whether this case is exceptional is that obtained orally by your Chief Examiner, who was informed by two of the senior officers of the national bank that, while they would be pleased to have Mr. Spencer continue as a director of their institution, they did not believe the circumstances are unusual or exceptional. Under the circumstances you recommend that this application be refused.

"It appears from a statement made by the applicant in a letter dated March 29, 1935, which you quote in your report in connection with this application, that the Mortgage Bond & Trust Company, since 1932, has confined its activities principally to the sale of municipal bonds, and, as you pointed out in your letter of April 2, 1935 to the applicant, a copy of which you inclosed, the Board has taken the position that the reasons stated in its letter of March 7, 1934 (X-7811) for its general policy in connection with cases of this kind, apply equally in cases where the dealer deals only in municipal bonds.

"Accordingly, for the reasons stated in that letter, the Board is unable to find that it would be not incompatible with the public interest as declared by the Congress to grant this application, even though nothing has been called to its attention which would reflect in any degree upon the applicant's desirability as a director of the bank, except that the relationships covered by his application appear to be of a kind which it was the intention of Congress to terminate."

Approved.

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

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Mr. Leon Sloss, Jr., to serve at the same time as a director and officer of The Anglo California National Bank of San Francisco, San Francisco, California, and as a director of the Palo Alto National Bank, Palo Alto, California, 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. 3.</u> Merchants Banking Trust Company, Mahanoy City, Pennsylvania.	15	15
<u>District No. 11.</u> The First National Bank of Harlingen, Harlingen, Texas.	21	
First National Bank in Pampa, Pampa, Texas.	<u>6</u>	27
<u>District No. 12.</u> Security Bank of Myrtle Point, Myrtle Point, Oregon.	3	
Gunnison Valley Bank, Gunnison, Utah.	<u>6</u>	9
	<u>Total</u>	<u>51</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u> The Morristown Trust Company, Morristown, New Jersey.	240	
Trade Bank of New York, New York, N. Y.	<u>122</u>	362
<u>District No. 7.</u> The First National Bank of Ogden, Ogden, Iowa.	33	33
<u>District No. 9.</u> The First National Bank of Montgomery, Montgomery, Minnesota.	23	
First National Bank in Moorhead, Moorhead, Minnesota.	<u>15</u>	38

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Applications for SURRENDER of Stock: (Cont'd)

District No. 10.

The Nebraska National Bank of Alliance,
Alliance, Nebraska.

Shares

69 69

District No. 11.

The San Antonio National Bank, San Antonio,
Texas.

60

The First National Bank of Throckmorton,
Throckmorton, Texas.

13 73

Total 575

Approved.

Thereupon the meeting adjourned.

Oliver Morice
Secretary.

Approved:

W. Steuber
Governor.