

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, July 2, 1935, at 3:00 p. m.

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

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

Mr. Morrill reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on June 29, 1935, and that, in accordance with the usual practice, a call was made on behalf of the Federal Reserve Board on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was ratified.

The Committee then acted upon the following matters:

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

"Your letter June 27. Board approves appointment as examiner of Arthur N. Hazeltine whose temporary designation as such was approved by Board February 6, 1935."

Approved.

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

"Retel June 28. If employee is not an examiner, and if you are satisfied indebtedness will not cause embarrassment in performance of duties, Board interposes no objection to transaction."

Approved.

Letter to Mr. Case, Federal Reserve Agent at the Federal Reserve

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Bank of New York, reading as follows:

"Reference is made to your letter of June 26, 1935, transmitting with your favorable recommendation the request of the 'West Side Trust Company', Newark, New Jersey, for an extension of time within which it may comply with the following condition of membership:

21. Such bank shall, as soon as practicable and in any event within six months from the date of admission to membership, dispose of any loans which may be secured in whole or in part by its own stock or obtain the substitution of other adequate security for each such loan.

"The bank was admitted to membership on January 6, 1934, and subsequently the Board extended to January 6, 1935, and to July 6, 1935, the time within which the bank might comply with the provisions of the condition recited above.

"It has been noted that the bank reports that some progress is being made in reducing the loans secured by its own stock, that in each case the stock held as collateral constitutes only a small proportion of the total collateral and was taken as additional collateral after the loans had been made, and that because of the unsettled conditions in the securities market the bank does not feel that it would be to the best interests of its customers to sell the stock at this time.

"In view of the circumstances and your recommendation, the Board extends to January 1, 1936, the time within which the bank may comply with the provisions of membership condition numbered 21. Please advise the bank accordingly."

Approved.

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

"Reference conditions of membership of 'The Fifth Avenue Savings Bank Company', Columbus, Ohio, 'The Marysville-Commercial Bank', Marysville, Ohio, 'The Licking County Bank', Newark, Ohio, and 'The Perry County Bank', New Lexington, Ohio. The time within which 'BancOhio Corporation' shall obtain a general voting permit is hereby extended to December 1, 1935. Please advise BancOhio Corporation and the banks accordingly."

Approved.

Letter to Mr. Clark, Assistant Federal Reserve Agent at the

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Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of June 19, 1935, advising that the 'Central Farmers' Trust Company', West Palm Beach, Florida, had entered into an agreement with the 'Florida Bank & Trust Co. of West Palm Beach', also a State member bank, whereby the former institution assumed the deposit liability of the latter in consideration of the receipt of adequate cash and securities for that purpose. It has been noted that the Florida Bank & Trust Co. of West Palm Beach has been placed in voluntary liquidation and that your counsel has reviewed the documents and has stated that, in his opinion, the status of membership of the Central Farmers' Trust Company will not be affected by the consummation of the agreement and liquidation of the Florida Bank & Trust Co. of West Palm Beach.

"On the basis of the information submitted and a review of the latest reports of examination of the two banks, it appears that the transaction will result in no material change in the general character of the business of, or in the scope of the corporate powers exercised by, the Central Farmers' Trust Company within the meaning of the general condition under which it was admitted to membership. The Board will therefore interpose no objection to the transaction."

Approved.

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

"Receipt is acknowledged of your letter of June 24, 1935, relating to the voting permit applications of Shawmut Association and The National Shawmut Bank of Boston, both of Boston, Massachusetts, and in which you inquire whether the Board will expect The Winchester National Bank, Winchester, Massachusetts, one of the subsidiary banks, to eliminate from its assets all depreciation in securities not of the four highest grades prior to July 23, 1935.

"You call attention to the following statement contained in the Board's telegram of January 17, 1935, relating to the conditions upon which limited voting permits should be issued to the above named holding company affiliates:

'The Board understands from representatives of The National Shawmut Bank of Boston that such bank and the subsidiary banks of Shawmut Association will charge off or otherwise eliminate all depreciation in securities not of the four highest grades within a period of approximately six months.'

It is understood that in a letter to you dated January 23, 1935, Shawmut Association agreed to use its best efforts to cause its subsidiary banks to charge off or otherwise eliminate such depre-

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"ciation within a period of approximately six months, and that a similar agreement was contained in a letter addressed to you by The National Shawmut Bank of Boston under date of January 24, 1935. However, it now appears that the condition of the Winchester National Bank is such that its officers and directors believe that it is inadvisable to eliminate such depreciation at this time. It also appears that a readjustment of the capital structure of the bank is receiving consideration.

"The Board now has under consideration the granting of general voting permits to Shawmut Association and The Shawmut National Bank of Boston and, in that connection, it will prescribe such conditions relating to the elimination of losses and depreciation in the assets of the subsidiary banks as it may deem proper. In the circumstances, the Board will not insist upon The Winchester National Bank eliminating depreciation in securities not of the four highest grades prior to July 23, 1935, in compliance with the above-mentioned agreements."

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 May 1, 1935, with inclosure, and previous correspondence, regarding the action of the Merchants Trust and Savings Company, Muncie, Indiana, in imposing maintenance charges upon dormant deposit balances which have not been active for one year or more.

"It is understood that the maintenance charges in question are imposed by the bank in accordance with the requirements of a regulation promulgated by the Department of Financial Institutions of the State of Indiana and that that regulation, which is given the effect of law, was issued pursuant to authority conferred upon the Department of Financial Institutions by section 10 of the Indiana Financial Institutions Act to make regulations for the establishment of safe and sound methods for the transaction of business by financial institutions. It is also understood that the maintenance charges were imposed only after publication of notice to the old depositors who could not be located and that it is the bank's policy to pay without question the balance in full of any savings claim made against such dormant balances.

"As indicated in Mr. Young's letter, there may be some doubt, as a matter of State law, with respect to the authority of the Department of Financial Institutions of the State of Indiana to issue the regulation in question. Moreover, there is some question as to the validity of section 10 of the Indiana Financial Institutions Act, in so far as it may be construed as authorizing the imposition of the maintenance charges in question. However, it is understood that the Attorney General of the State of Indiana

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"has approved the validity of the regulations issued by the Department of Financial Institutions, the charges imposed by the bank appear to be reasonable in amount and the amounts involved relatively small. Accordingly, in view of all the circumstances in the case, the Board will interpose no further question regarding the procedure followed by the bank in this matter."

Approved.

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

"Retel June 28, 1935, relating to inquiry from First Security Corporation of Ogden, Ogden, Utah. On basis of facts stated in its letter of June 4, 1935, and your statement that no affiliation exists under Section 2(b)(3) of Banking Act of 1933, Board is of opinion that subsidiaries of First Security Corporation of Ogden, wholly owned by that corporation, are not affiliates of First Security Bank of Idaho, Boise, Idaho, and that such bank need not obtain reports from such organizations in connection with its reports of condition. On basis of such facts, Board is of opinion that provisions of Section 23A of Federal Reserve Act are not applicable to unsecured loan by such bank to Franklin Investment Company which Board understands is wholly owned subsidiary of First Security Corporation of Ogden. The question whether First Security Bank of Utah, N.A., must obtain reports has been referred to Comptroller of the Currency with request that he advise bank directly."

Approved.

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

"The Board has given consideration to the application of Mr. George F. Tyler, Philadelphia, Pennsylvania, for permission under the provisions of the Clayton Act to serve at the same time as director of The Philadelphia National Bank, Philadelphia, Pennsylvania, director and officer of Newtown Title and Trust Company, Newtown, Pennsylvania, and director of Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, and upon the basis of the information before it, feels that the issuance of the permit applied for would be incompatible with the public interest. You are requested to advise the applicant of the Board's position in the matter, unless there are pertinent facts which were not submitted with the application and which you feel should be given considera-

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"tion.

"Please inform Mr. Tyler that the Board's action upon his application was based upon the fact that the Philadelphia banks appear to be engaged in the same class or classes of business and so located as to be in a position to compete substantially. It appears that it is the policy of the Congress, as declared in the Clayton Act, to terminate interlocking relationships between banking institutions of certain classes which are in substantial competition, apparently because the Congress felt that such relationships might tend to result in a substantial lessening of competition and a restriction of credit. Therefore, the Board does not feel that it may grant this application since no other facts have been brought to its attention which would make it compatible with the public interest to issue the permit. In this connection reference is made to the Board's letter of January 9, 1935, (X-9082).

"In communicating with the applicant, please advise him that in accordance with Section V (g) of Regulation L, consideration will be given to any additional facts or arguments not appearing in his application and accompanying forms which he feels should be brought to the Board's attention.

"Mr. Tyler now has a permit issued October 3, 1934, to serve as director of The Philadelphia National Bank and as director and officer of Newtown Title and Trust Company under which he may continue to serve these institutions provided he severs his connection with the Fidelity-Philadelphia Trust Company. Of course, if he severs his connection with The Philadelphia National Bank a permit to serve Newtown Title and Trust Company and Fidelity-Philadelphia Trust Company will be unnecessary.

"In this connection, please advise the Board promptly as to whether Mr. Tyler desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act."

Approved.

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

Mr. Richard Vollwerth, to serve at the same time as a director of The Superior National Bank of Hancock, Hancock, Michigan, and as a director of The Superior Trust Company, Hancock, Michigan, for the period ending January 14, 1936.

Approved.

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Thereupon the meeting adjourned.

Robert Howell  
Secretary.

Approved:

W. Stewart  
Governor.