

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, July 29, 1935, at 11:30 a. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

The Committee acted upon the following matters:

Memorandum dated July 26, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the Board authorize an absence on annual leave with pay for Miss Tressa Brown, a stenographer in the division, for the period from July 19 to July 29, 1935, inclusive, even though all of such leave had not yet been earned.

Approved.

Letter to the board of directors of the "Gonzales State Bank", Gonzales, Texas, 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 Dallas.

Approved.

Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, referring to the application of the East Orange Trust Company, East Orange, New Jersey, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to the East Orange Trust Company, the Federal

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Reserve Bank of New York is authorized to cancel such stock and make a refund thereon.

Approved.

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

"This refers to your letter of June 17, 1935, with inclosures, and to your letter of July 19, 1935, submitting additional information, regarding the proposal of the Bank of the Manhattan Company to apply certain dividends on shares of stock of the Berliner Handelsgesellschaft to the acquisition of additional shares of that corporation.

"It is the Board's understanding that, prior to the admission of the Bank of the Manhattan Company to membership in the Federal Reserve System, it had acquired approximately 18 percent of the outstanding shares of the Berliner Handelsgesellschaft, a German banking corporation with limited liability, and that it has continued to hold these shares since that time, the shares having been lodged in Germany. It further appears that under new restrictions imposed by German law the conversion of the March 9, 1935 dividend coupons on shares of the Berliner Handelsgesellschaft into dollars or into any free foreign currency or into any values removable from Germany is prohibited and that the bank may only retain the dividend coupons uncashed, convert them into 3 percent bonds of the Konversionskasse maturing in 1945, or, under a special permit granted by German authorities, convert them into 'German securities, particularly Berliner Handelsgesellschaft shares'.

"The Board has also noted the statement of the bank that the Konversionskasse bonds are only available in theory, and the reasons why it prefers to convert the coupons in question into additional shares of Berliner Handelsgesellschaft rather than into other German securities. It has also been noted that it is definitely the policy of the bank to dispose of all of its holdings of Berliner Handelsgesellschaft shares at the earliest favorable opportunity and that the bank has already succeeded in disposing of a part of the coupons in question to persons outside of Germany who desired to acquire marks in Germany.

"In the circumstances, the Board will raise no objection to the conversion of the dividend coupons referred to into additional shares of the Berliner Handelsgesellschaft and you are requested to advise the Bank of the Manhattan Company accordingly."

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Approved.

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

"Reference is made to your letter of May 17, 1935, regarding certain bank stocks which may have been acquired by the 'Ogdensburg Trust Company', Ogdensburg, New York, from its affiliate, The Oswegatchie Securities Corporation, in violation of Section 9 of the Federal Reserve Act and of condition of membership numbered 6, which reads as follows:

Except after applying for and receiving the permission of the Federal Reserve Board, you shall not acquire an interest in any other bank or trust company, through the purchase of stock in such other bank or trust company.

"It has been noted that the dissolution of the Oswegatchie Securities Corporation has been undertaken for the purpose of complying with the requirements of Section 20 of the Banking Act of 1933, and that in connection with the dissolution the bank acquired all of the assets of the affiliate and canceled the affiliate's indebtedness to the bank. The bank shares in question were among the assets of the affiliate or acquired in lieu of an assessment against the affiliate.

"While it appears that the manner in which the shares in question were acquired may have constituted a violation of Section 9 of the Federal Reserve Act and of condition of membership numbered 6, in view of all the circumstances and your recommendation the Board will take no action with respect to the matter at this time with the distinct understanding that the bank will use its best efforts to dispose of the stocks at the earliest practicable opportunity. Please advise the bank of the Board's position in the matter and advise the Board when final disposition of the shares in question has been made."

Approved.

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

"There is transmitted herewith for your consideration an application of the 'Fidelity Union Trust Company', Newark, New Jersey, a member bank, for permission to establish two branches at East Orange, New Jersey, after purchasing the assets and assuming the liabilities of the Essex County Trust Company,

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"East Orange, New Jersey, a nonmember bank, which proposes to enter into voluntary liquidation. The latter institution operates one branch which is located within the city limits of East Orange, and it is the desire of the member bank to maintain both offices as branches.

"The Fidelity Union Trust Company owns 3,725 of the 5,000 shares of the capital stock of the Essex County Trust Company. Under the proposed plan, the Fidelity Union Trust Company will acquire all the assets and assume all the liabilities, except liabilities to stockholders, of the Essex County Trust Company, paying a cash consideration of \$400,000 the proceeds of which will be distributed to the shareholders of the Essex County Trust Company.

"The Federal Reserve Agent at the Federal Reserve Bank of New York has recommended approval of the application and the Commissioner of Banking and Insurance of the State of New Jersey has issued his formal approval for the establishment of the branches.

"The Board is of the opinion that the establishment and operation of the two branches at East Orange is in accordance with the provisions of the Federal Reserve Act governing the establishment of branches by a State member bank, and it is recommended, therefore, that you approve the establishment and operation of two branches in East Orange, New Jersey, by the Fidelity Union Trust Company of Newark, New Jersey, on condition that the Fidelity Union Trust Company -

1. Shall not acquire from the Essex County Trust Company any corporate stocks, or loans secured in whole or in part by stock of the Fidelity Union Trust Company;
2. Shall not set up on its books at more than market value any of the securities acquired from the Essex County Trust Company;
3. Shall not include in the carrying value of the assets acquired from the Essex County Trust Company any estimated losses, including any of the estimated losses aggregating \$352,100 in loans and miscellaneous assets as shown in the report of examination of the Essex County Trust Company as of February 9, 1935, made by an examiner for the Federal Reserve Bank of New York, which have not been previously eliminated.

"The attached file contains copies of the latest reports of examination of the Fidelity Union Trust Company and of the Essex County Trust Company and a copy of a memorandum prepared by the Board's Division of Examinations. It will be appreciated if you will return this file when it has served your

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"purpose and when you have advised the Board of your action on the application described above."

Approved.

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

"Reference is made to Mr. Young's letter of July 10 regarding the cancelation of Federal Reserve bank stock outstanding in the name of The First National Bank of Odebolt, Iowa.

"It is noted that one of the members of the liquidating committee of the subject bank will not be available to sign the application for cancelation of Federal Reserve bank stock until about September 1. The notice from the Comptroller of the Currency of the voluntary liquidation of the bank names a liquidating committee of 7 members, comprising the board of directors of the bank. As the board of directors of a liquidating national bank is competent to name a liquidating agent or committee for the bank, you are authorized to waive the requirement of the signature of the member of the liquidating committee who is absent."

Approved.

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

"In accordance with the recommendation of Acting Comptroller of the Currency Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Perth Amboy', Perth Amboy, New Jersey, from \$300,000 to \$15,000, pursuant to a plan which provides for the sale of \$350,000 Class 'A' preferred stock to the Reconstruction Finance Corporation, the sale of \$100,000 Class 'B' preferred stock to local interests, the subordination of the \$300,000 of outstanding preferred stock (which will be designated as Class 'C' preferred stock) to the new Class 'A' and 'B' preferred stock, and the conversion of \$75,000 of subordinated deposits into Class 'C' preferred stock. The plan also provides that the \$285,000 of released common capital, together with surplus, undivided profits and applicable reserves aggregating approximately \$136,000, will be used in eliminating a corresponding amount of undesirable assets which

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"will remain the property of the bank, all as set forth in Mr. Awalt's memorandum of July 17, 1935.

"In considering the plan under which the reduction in common capital is to be effected, it has been noted that the losses estimated by your examiner in his report of examination as of June 20, 1935, exceed the aggregate of the released capital and the surplus, undivided profits and reserve accounts by approximately \$206,400, resulting in a capital impairment of that amount; that securities depreciation unprovided for in the amount of approximately \$7,100, if considered as a loss, will further impair the bank's capital, and that there will also remain unprovided for a large amount of doubtful assets in which further losses appear probable. It was noted also that your examiner severely criticizes the active management. It is assumed, however, that these matters are receiving the attention of your office."

Approved.

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

"Reference is made to Mr. Dillistin's letter of July 3, 1935, recommending approval of a proposed reduction in the common capital stock of the 'Mount Pleasant Bank and Trust Company', Pleasantville, New York, from \$200,000 to \$25,000, pursuant to a plan which provides for the conversion of its outstanding 'B' debentures, amounting to \$75,000, into a like amount of new common stock, and the use of the released capital funds in eliminating or otherwise providing for an equal amount of undesirable assets.

"The Board has considered the information submitted as well as the condition of the trust company as reflected in the last report of examination, and, in accordance with your recommendation, approves the reduction in common capital stock with the understanding that none of the released capital will be returned to stockholders but will be used to eliminate estimated losses in loans and/or depreciation in securities as shown in the report of examination made by an examiner for the Federal Reserve Bank of New York as of April 3, 1935; that the assets so eliminated will remain the property of the trust company; that the transaction has the approval of the appropriate State authorities and that your counsel is satisfied as to the legality of the proceedings in connection therewith. It will be appreciated if you will forward copies of any amendments to the trust company's charter which may be

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"adopted in connection with the capital adjustment and advise the Board as to the eliminations effected as well as any corrections which may have been made of the criticized matters set forth in the last report of examination.

"It is noted that the trust company has made application for the sale of \$100,000 additional debentures to the Reconstruction Finance Corporation. The Board feels that the introduction of such additional capital funds is highly desirable and it is suggested that you continue your efforts to bring about the consummation of this program."

Approved.

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

"Reference is made to your letter of July 17, 1935, recommending that the 'West Branch Bank and Trust Company', Williamsport, Pennsylvania, be granted permission to reduce its capital stock from \$453,000 to \$225,000 by the retirement and cancellation of \$228,000 of preferred stock owned by the Reconstruction Finance Corporation.

"The Board has reviewed the information submitted, together with the report of examination of the bank as of May 11, 1935, from which it appears that the member bank is in a generally satisfactory condition and under good management, and that after completion of the proposed retirement of preferred stock its capital structure will be adequate in comparison with its deposit liabilities. In accordance with your recommendation, therefore, the Board approves a reduction of \$228,000 in the capital of the West Branch Bank and Trust Company by the retirement of that amount of preferred stock, with the understanding, of course, that the transaction has been approved by the Secretary of Banking of the Commonwealth of Pennsylvania and that your counsel is satisfied as to the legality of the proceedings in connection therewith."

Approved.

Telegram to the Federal reserve agents at all Federal reserve banks, reading as follows:

"Board today adopted in form set forth below amendment No. 5 of Regulation T. This amendment is effective August 8, 1935. Upon receipt of this telegram you are requested to print this

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"amendment and, after checking against confirmation of this telegram, to distribute copies to interested persons. The amendment is as follows:

Amendment No. 5 of Regulation T - Effective August 8, 1935.

"Subsection (e) of section 8 of Regulation T is hereby amended by adding at the end thereof a new paragraph reading as follows:

'In the event of the transfer of an account from one customer to another, such account may be treated by the creditor for the purposes of this regulation as if it had been maintained for the transferee from the date of its origin: Provided, That, if the account be a restricted account, the creditor shall have filed a report with any regularly constituted committee of a national securities exchange having jurisdiction over the business conduct of its members, of which exchange the creditor is a member or through which his transactions are effected, reciting the circumstances of the transfer and stating, as of the time of the transfer, the adjusted debit balance of the account and the maximum loan value of the securities in the account.'

Approved.

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

"Reference is made to your letter of July 11, 1935, concerning the application of Mr. Wilfred W. Fry, Philadelphia, Pennsylvania, for permission under the provisions of the Clayton Act to serve at the same time as a director of The First National Bank of Philadelphia and Fidelity-Philadelphia Trust Company, both of Philadelphia, Pennsylvania, which was refused by the Board on May 21, 1935.

"It is noted that Mr. Fry was out of the city at the time advice was received of the action of the Board on his application, that he is undecided as to whether he will submit additional facts or arguments with respect to the application, and that before reaching a decision he wishes to discuss the situation with Mr. Gest, Chairman of the Fidelity-Philadelphia Trust Company, who is on vacation and will not return until sometime in August.

"The Board is in agreement with your suggestion that no further action need be taken in connection with the application until Mr. Fry has had an opportunity to discuss the matter with Mr. Gest, and with your further suggestion that Mr. Fry should

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"refrain from attending the meetings of directors of one of the banks involved pending final determination of the matter.

"It will be appreciated if you will advise Mr. Fry 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. 2.</u>		
The City National Bank of Binghamton, Binghamton, New York.	60	
The Elizabethport Banking Company, Elizabeth, New Jersey.	<u>120</u>	180
<u>District No. 7.</u>		
Alpena Savings Bank, Alpena, Michigan.	21	
Union Savings Bank of Manchester, Manchester, Michigan.	6	
Manitowoc Savings Bank, Manitowoc, Wisconsin.	48	
The National Bank of Canton, Canton, Illinois.	15	
First National Bank in Georgetown, Georgetown, Illinois.	6	
The First National Bank of Lockport, Lockport, Illinois.	9	
The National Bank of Monmouth, Monmouth, Illinois.	60	
Fort Wayne National Bank, Fort Wayne, Indiana.	6	
The National Bank of Logansport, Logansport, Indiana.	3	
The First National Bank of Monroe, Monroe, Michigan.	12	
Ida County State Bank, Ida Grove, Iowa.	2	
The Farmers State Bank of Alto, Alto, Michigan.	<u>1</u>	179
<u>District No. 12.</u>		
The Citizens National Trust and Savings Bank of Riverside, Riverside, California.	30	
The First National Bank of Idaho, Boise, Idaho.	<u>28</u>	58
	<u>Total</u>	<u>417</u>

Applications for SURRENDER of Stock:

<u>District No. 3.</u>		
The First National Bank in Bedford, Bedford, Pennsylvania.	30	

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 3. (Cont'd)</u> The Haddonfield National Bank, Haddonfield, New Jersey.	<u>90</u>	120
<u>District No. 11.</u> The City National Bank of Olney, Olney, Texas.	45	45
<u>District No. 12.</u> The United States National Bank of Eugene, Eugene, Oregon.	<u>120</u>	<u>120</u>
	<u>Total</u>	<u>285</u>

Approved.

Thereupon the meeting adjourned.

Chester Moriel
Secretary.

Approved:

[Signature]
Governor.