

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, August 5, 1935, at 11:30 a. m.

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

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

The Committee acted upon the following matters:

Memorandum dated August 1, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the temporary appointment of Mrs. Ruth D. Jacquot as a comptometer operator in the Division, be extended for a further period until December 31, 1935, with no change in her present salary at the rate of \$1,440 per annum, and that, in accordance with the Board's policy in such cases, she be required to fill out a special enrollment blank for admission to the retirement system and to submit to the required physical examination. The recommendation was approved by three members of the Board on August 3.

Approved.

Memorandum dated August 2, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending the appointment of Arthur Clarence Williams as a messenger in the Division, with salary at the rate of \$840 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed a satisfactory physical examination. The recommendation was approved by three members of the Board on August 3.

Approved.

8/5/35

-2-

Letter dated August 3, 1935, approved by three members of the Board, to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of July 25 making further inquiry as to the status of The City National Bank of Lansing, Michigan, which was absorbed by the Capital National Bank on December 26, 1931, but has not yet been placed in liquidation or receivership.

"The office of the Comptroller of the Currency advises that there have been no new developments since those outlined in Deputy Comptroller Lyons' letter of February 6, 1935, a copy of which was sent to you with the Board's letter of February 26. We are further informed that the litigation referred to in the previous correspondence has not yet been determined and that the case will probably be set for hearing at the fall term in the Circuit Court of Appeals."

Approved.

Letter dated August 2, 1935, approved by three members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of July 17, 1935, in regard to acceptance by the 'Wood & Huston Bank', Marshall, Missouri, of certain trust accounts in violation of its general condition of membership.

"It appears from the report of examination as of May 7, 1935, and the correspondence relative thereto, that the bank has had trust powers under State authority since 1927 but has not exercised such powers until recently; that since the previous examination the bank has opened a trust department and is now acting as trustee in three small accounts aggregating approximately \$15,000; that the condition of the bank is such that you are unwilling to submit its application for permission to exercise full trust powers to the Board until another examination of the institution has been made, but that you recommend that the bank be permitted to administer the three accounts in question until its application for trust powers can be acted upon.

"In accordance with your recommendation, the Board will interpose no objection to the administration by the Wood & Huston Bank, Marshall, Missouri, of the three trusteeships heretofore accepted by it, with the understanding that no additional fiduciary business will be acquired prior to action by the Board on the bank's application for permission to exercise full trust powers, which it is

8/5/35

-3-

"understood will be submitted with your recommendation after the next examination of the bank if its condition at that time warrants such action."

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 stock of 'The First National Bank of St. Johnsbury', St. Johnsbury, Vermont, from \$200,000 to \$150,000, pursuant to a plan which provides that approximately \$44,000 of the released capital shall be used to eliminate a like amount of substandard assets, which are to remain the property of the bank; and that the remaining portion shall be credited to surplus, all as set forth in your memorandum of July 27, 1935."

Approved.

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

"In accordance with Acting Comptroller Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The Security National Bank of Huron', Huron, South Dakota, from \$200,000 to \$125,000, in accordance with a plan which provides that the released capital shall be contributed to the Security National Corporation (an affiliate of subject bank which owns the banking house) which will use the proceeds to retire its indebtedness of approximately \$75,000 to the Merchants Bank Building Company, all as set forth in Mr. Awalt's memorandum of July 20, 1935."

Approved, together with a letter to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to the application of The Security National Bank of Huron, Huron, South Dakota, for permission to reduce its common capital from \$200,000 to \$125,000. In order that the First Bank Stock Corporation may vote the shares owned by it of the applicant bank, the Board authorizes you to issue a limited voting permit to First Bank Stock Corporation, Minneapolis, Minnesota, under the provisions of Section 5144 of the Revised Statutes of the United States, as amended, to vote the stock owned or controlled of

8/5/35

-4-

"The Security National Bank of Huron, Huron, South Dakota, for the following purposes:

'At any time prior to October 1, 1935, to authorize a reduction in capital stock, change in number of shares of stock and/or change in par value of shares of stock of such bank and to make such amendments to the articles of association and/or by-laws of such bank as shall be necessary for such purposes, provided that all action taken shall be in accordance with a plan which shall have been approved by the appropriate supervisory authorities.'

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

Telegrams dated August 3, 1935, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits to the "Anglo National Corporation", San Francisco, California, and to the "Consolidated Securities Company", San Francisco, California, entitling such organizations, at any time prior to October 31, 1935, to vote the stock which they own or control in "The First National Bank of Longview", Longview, Washington, to authorize an increase in the common stock of such bank by the declaration of a stock dividend in the amount of \$25,000, provided that such action shall be in accordance with a plan approved by the Comptroller of the Currency.

Approved.

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

"The Board has reviewed the report of examination of the Federal Reserve Bank of Boston, made as at the close of business June 29, 1935, copies of which were left with you and Governor

8/5/35

-5-

"Young.

"The two previous reports of examination of the Reserve Bank referred to certain criticisms in connection with the operations of the bank examination department, particularly with respect to the need for a closer follow-up of matters criticized in reports of examination of State member banks. The report of examination as of June 29, 1935, contains similar criticisms and the examiner again reports that assurances were given that the matters in the department subject to criticism would be corrected and that the recommendations made to improve the operations of the department would be adopted. It is understood that in an effort to improve the operations of the department, the senior Assistant Federal Reserve Agent is to make a survey of the department and visit one or more of the other Federal Reserve banks for the purpose of studying the operations of their bank examination departments.

"The Board would like to be advised as to the scope of the proposed survey, the conclusions reached, and any changes which are made or contemplated in connection with the operations of the bank examination department."

Approved.

Letter to Mr. Kettig, Deputy Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board has reviewed the report of examination of the Federal Reserve Bank of Atlanta made as at the close of business June 1, 1935, copies of which were left with you and Governor Newton.

"It has been noted (page 29) that consideration will be given to the examiner's recommendation that a periodical check be made to determine whether the properties owned by the Reserve Bank acquired in connection with advances to banks which failed, are rented and if proper remittances are being made by the field representatives for rents and collections. It will be appreciated if you will advise of the results of the consideration of this matter.

"The examiner has again commented (page 136) upon the numerous discrepancies and errors found in connection with the examination of the Custodian Division - Reconstruction Finance Corporation at the Nashville Branch. A similar situation in the department existed at the time of the examination of the Nashville Branch as of November 12, 1932, in connection with which Mr. Newton advised under date of April 29, 1935, that the Assistant Cashier of the Branch had been placed in charge of the Division and that it was believed that the examiner's criticisms had been largely

8/5/35

-6-

"eliminated. It will be appreciated if you will advise as to the steps which have been or will be taken to effect correction of the unsatisfactory situation in the department.

"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.

Letter dated August 3, 1935, approved by three members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"This refers to Mr. Young's letter of March 28, 1935, with regard to whether the directors of the Guardian Bank of Royal Oak, Royal Oak, Michigan, have been disqualified by reason of an agreement with the Guardian Detroit Union Group relating to the holding of the directors' qualifying shares in the Guardian Bank of Royal Oak.

"It appears that, under such an agreement, each of the directors has deposited his qualifying shares with the Union Guardian Trust Company of Detroit, Michigan, as depository, and the Guardian Detroit Union Group has deposited with the same depository certain shares of the Guardian Detroit Union Group and that, upon the termination of the service as such of any director of the Guardian Bank of Royal Oak, the qualifying shares of the director in such bank become the property of the Guardian Detroit Union Group, and the shares which have been deposited by that Group become the property of the director. The counsel for the Federal Reserve bank has expressed an opinion to the effect that in these circumstances the qualifying shares are not held by the directors of the Guardian Bank of Royal Oak in compliance with the requirements of the laws of the State of Michigan applicable to the qualification of directors of banks in that State, but feels that the question is not entirely free from doubt. Mr. Young advised that the Banking Department of the State of Michigan considers that no violation of law exists and that he is not entirely convinced as to the advisability of your office taking any action in the matter for the reason that it would have a far-reaching effect on the directorates of other banks owned by the Guardian Detroit Union Group, and he requested the advice of the Board in the premises.

"The question whether the directors of the Guardian Bank of Royal Oak are qualified under the laws of the State of Michigan is one primarily for determination by the State banking authorities and, since the matter has been called to the attention of such

8/5/35

-7-

"authorities for determination, the Board does not feel that it is necessary for your office to attempt to require any further action in the matter. However, if you have not already done so, it would seem desirable, as a matter of cooperation with the State banking authorities, to call their attention to the questions raised by your counsel for such consideration as the authorities of that State deem desirable. It has been noted that, in a memorandum addressed to Mr. Young by the counsel of your bank on December 17, 1934, reference was made to a possible ruling by a Federal Judge regarding an agreement covering qualifying shares of directors of banks similar to that described above but at that time your counsel had not received a copy of such ruling. Of course, if such a ruling is now available, it would seem desirable to call it to the attention of the State banking authorities, and it would be appreciated if you would forward a copy of it to the Board for its information."

Approved.

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

"Reference is made to your letter of July 27 regarding the cancelation of a part of the Federal Reserve bank stock outstanding in the name of the First National Bank of Bainbridge, Bainbridge, Georgia, in connection with the consolidation of that bank and the Bainbridge State Bank, a nonmember bank, under the title 'First State National Bank of Bainbridge'.

"The First State National Bank, under the provisions of the Federal Reserve Act and the Board's Regulation I, and consistent with the opinion expressed by counsel for your bank, is entitled to retain Federal Reserve bank stock incident to the reduction of \$5,000 in its surplus account, but is required to submit for cancelation 15 shares of Federal Reserve bank stock because of the reduction of \$25,000 in its capital. The resolution of the Board of Directors of the First State National Bank prepared by counsel for your bank to be incorporated in the bank's application for cancelation of Federal Reserve bank stock appears to cover the facts in the case satisfactorily and to be in proper form.

"In this connection, if Section 319 of the proposed Banking Act of 1935 (H. R. 7617) should become law, every member bank holding Federal Reserve bank stock in an amount exceeding 6 percent of its aggregate capital and surplus will be required to surrender its excess holdings."

Approved.

8/5/35

-8-

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

"Reference Dillistin's letter of July 26, 1935 and subsequent communications relating to question whether Northeastern Water and Electric Corporation and its subsidiaries are affiliates of Chemical Bank and Trust Company, New York, New York. Board understands that the trust company holds a majority of the common stock of Northeastern Water and Electric Corporation as collateral for a note; that such stock is registered in the name of the trust company; that, under the terms of the collateral note, the trust company may exercise all the rights and privileges of an absolute owner with reference to such stock; that in the contract of sale under which such stock was sold by the trust company to the maker of the note the latter agreed to maintain in office during the life of the note a management of Northeastern Water and Electric Corporation satisfactory to the trust company; and that the common stock as a class elects two-thirds of the corporation's directors. On the basis of these facts the Board is of the opinion that Northeastern Water and Electric Corporation and its subsidiaries are affiliates of Chemical Bank and Trust Company. As you know, under the provisions of section 325 of the Banking Act of 1935 as it passed the Senate, the waiver of reports of affiliates of a State member bank by the Board would be authorized if in the Board's judgment such reports are not necessary to disclose fully the relations between an affiliate and the State member bank and the effect thereof upon the affairs of the bank. If this provision should be enacted into law, the Chemical Bank and Trust Company may wish then to take up further with the Board the question whether further reports by the Northeastern Water and Electric Corporation and its subsidiaries will be required."

Approved.

Letter dated August 3, 1935, approved by three 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 request for a ruling made by Mr. A. M. White, Jr., as to the applicability of section 32 of the Banking Act of 1935 to his service as trustee of Brooklyn Trust Company, Brooklyn, New York, and as general partner of White, Weld & Co., New York, New York.

8/5/35

-9-

"It appears from the information which you have submitted that although the firm was originally organized in 1895 primarily for the purpose of dealing in securities, that phase of its business has decreased in importance, and its brokerage business has increased in importance, with the result that for the three years 1932 to 1934, inclusive, the underwriting, flotation and distribution of securities constituted approximately 1.4 percent of the total volume of the business transacted and produced approximately 7.2 percent of its total profits, whereas its brokerage business represented approximately 95 percent of the total volume and produced approximately 78 percent of the total profits.

"In view of the information submitted, the Board sees no reason to differ with the conclusion reached by you and by counsel for your bank that section 32 should not be regarded as applicable at this time to the relationships referred to in the first paragraph of this letter, and it will be appreciated if you will so advise Mr. White.

"Since it appears that the firm of White, Weld & Co. has heretofore engaged to a considerable extent in the underwriting, flotation and distribution of securities, 47.7 percent of its total profits having been derived from transactions of this kind in 1930, it is suggested that you call the particular attention of Mr. White to the fact that a change in the character of the business now being done by the firm might result in a different conclusion from that set out above."

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 Caldwell National Bank, Caldwell, New Jersey	15
The First National Bank of High Bridge, High Bridge, New Jersey	3
The North Arlington National Bank, North Arlington, New Jersey	2
The First National Bank and Trust Company of Summit, Summit, New Jersey	2
The First National Bank of Canton, Canton, New York	2
The Peninsula National Bank of Cedarhurst, Cedarhurst, New York	2

8/5/35

-10-

<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 2. (Continued)</u>		
The Merchants National Bank of Dunkirk, Dunkirk, New York		3
The First National Bank of Glen Cove, Glen Cove, New York		1
The Long Island National Bank of Hicksville, Hicksville, New York		24
The Wheeler National Bank of Interlaken, Interlaken, New York		52
The Sullivan County National Bank of Liberty, Liberty, New York		2
The National Bank of Newburgh, Newburgh, New York		2
The First National Bank of Olean, Olean, New York		12
The First National Bank of Perry, Perry, New York		1
The First National Bank and Trust Company of Tuckahoe, Tuckahoe, New York		3
Ridgefield Park Trust Company, Ridgefield Park, New Jersey		27
State Bank, Chatham Village, N. Y., Chatham, New York		15
The Bank of Farmingdale, Farmingdale, New York		6
Floral Park Bank, Floral Park, New York		45
Olean Trust Company, Olean, New York		<u>3</u>
222		
<u>District No. 3.</u>		
The Abington National Bank of Clark's Summit, Clark's Summit, Pennsylvania		29
The Keswick National Bank of Glenside, Glenside, Pennsylvania		24
The Hershey National Bank, Hershey, Pennsylvania		60
The Union National Bank of Jersey Shore, Jersey Shore, Pennsylvania		1
The Farmers National Bank of Liberty, Liberty, Pennsylvania		1
The Central National Bank of Mount Union, Mount Union, Pennsylvania		3
The National Bank of Penbrook, Penbrook, Pennsylvania		3
The Richland National Bank, Richland, Pennsylvania		1

8/5/35

-11-

<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 3. (Continued)</u>		
The Peoples Savings and Trust Company, Hazleton, Pennsylvania		15
Farmers Bank and Trust Company of Lancaster, Lancaster, Pennsylvania		5
Gimbel Brothers Bank and Trust Company, Philadelphia, Pennsylvania		<u>5</u>
		147
<u>District No. 4.</u>		
The Farmers Bank of Bellville, Bellville, Ohio		3
The Fifth Avenue Savings Bank Company, Columbus, Ohio		1
The Home Banking Company, Gibsonburg, Ohio		9
The First-Mason Bank, Mason, Ohio		1
The Home Banking Company, St. Marys, Ohio		13
Economy Bank of Ambridge, Ambridge, Pennsylvania		1
Dormont Savings & Trust Company, Dormont, Pennsylvania		1
Homewood Bank at Pittsburgh, Pittsburgh, Pennsylvania		9
The First National Bank of Falmouth, Falmouth, Kentucky		3
The Louisa National Bank, Louisa, Kentucky		9
The First National Bank of Somerset, Somerset, Kentucky		27
The Lincoln County National Bank of Stanford, Stanford, Kentucky		2
Bellefontaine National Bank, Bellefontaine, Ohio		6
The Cleves National Bank, Cleves, Ohio		1
The First National Bank of Convoy, Convoy, Ohio		3
The First National Bank of Girard, Girard, Ohio		9
The Peoples National Bank of Greenfield, Greenfield, Ohio		3
Greenville National Bank, Greenville, Ohio		1
The First National Bank of Greenwich, Greenwich, Ohio		1

8/5/35

-12-

<u>Applications for ADDITIONAL Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 4. (Continued)</u>		
The First National Bank and Trust Company of Hamilton, Hamilton, Ohio	6	
The Peoples National Bank of New Lexington, New Lexington, Ohio	3	
The National Bank of Orrville, Orrville, Ohio	3	
The First National Bank of Racine, Racine, Ohio	1	
First National Bank in St. Clairsville, St. Clairsville, Ohio	6	
Van Wert National Bank, Van Wert, Ohio	2	
The First National Bank of Sipesville, Sipesville, Pennsylvania	10	
First National Bank in Tarentum, Tarentum, Pennsylvania	<u>3</u>	137
<u>District No. 5.</u>		
The Second National Bank of Hagerstown, Hagerstown, Maryland	15	
Farmers and Merchants Bank of Lawrenceville, Lawrenceville, Virginia	<u>3</u>	18
<u>District No. 7.</u>		
First National Bank and Trust Company of Evanston, Evanston, Illinois	4	
The National Bank & Trust Company of Sycamore, Sycamore, Illinois	3	
The First National Bank in Burlington, Burlington, Iowa	9	
First National Bank of Hampton, Hampton, Iowa	24	
The American National Bank of Kalamazoo, Kalamazoo, Michigan	2	
Community National Bank of Pontiac, Pontiac, Michigan	6	
Holstein State Bank, Holstein, Iowa	6	
Williams Savings Bank, Williams, Iowa	4	
The First State Savings Bank, Bronson, Michigan	2	
The People's Savings Bank of Grand Haven, Grand Haven, Michigan	12	
The Home State Bank of South Milwaukee, South Milwaukee, Wisconsin	<u>1</u>	73

8/5/35

-13-

<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 9.</u>			
The Iron River National Bank, Iron River, Michigan	1		
Farmers State Bank of Worden, Worden, Montana	<u>1</u>		2
<u>District No. 10.</u>			
Bank of Carthage, Carthage, Missouri	6		
The Colorado National Bank of Denver, Denver, Colorado	90		
National Bank in North Kansas City, North Kansas City, Missouri	1		
The Security National Bank of Duncan, Duncan, Oklahoma	9		
First National Bank in Frederick, Frederick, Oklahoma	1		
The National Bank of McAlester, McAlester, Oklahoma	6		
The Citizens National Bank of Muskogee, Muskogee, Oklahoma	9		
The First National Bank of Kemmerer, Kemmerer, Wyoming	<u>3</u>		125
<u>District No. 12.</u>			
Security National Bank of Everett, Everett, Washington	<u>7</u>		<u>7</u>
	Total		731

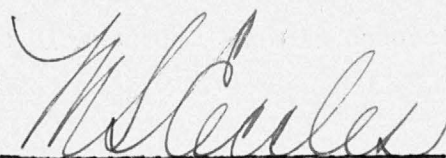
Applications for SURRENDER of Stock:

<u>District No. 2.</u>			
The Flatbush National Bank of Brooklyn in New York, New York, New York	45		45
<u>District No. 5.</u>			
The Scottsville National Bank, Scottsville, Virginia	<u>60</u>		<u>60</u>
	Total		105

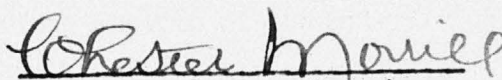
Approved.

Thereupon the meeting adjourned.

Approved:



 Governor.



 Secretary.