

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, October 9, 1935, at 11:30 a. m.

PRESENT: Mr. Thomas, Vice Chairman  
Mr. Hamlin  
Mr. James  
Mr. Szymczak

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

The Committee acted upon the following matters:

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

"Reference your telephone conversation October 9 with Mr. Paulger requesting Board's approval for proposed establishment by 'The Union Trust Company of Pittsburgh', Pennsylvania, of branch at present location of 'City Deposit Bank and Trust Company of Pittsburgh'. As you were informally advised by Mr. Paulger, Board's approval for establishment of the branch which it is understood will be located within the city limits of Pittsburgh is not required by law or under conditions of membership applicable to The Union Trust Company of Pittsburgh. However, in view of the circumstances and your favorable recommendation, Board interposes no objection to the establishment by The Union Trust Company of Pittsburgh of a branch at the present location of the City Deposit Bank and Trust Company of Pittsburgh in connection with the proposed absorption by the former bank of the latter institution, provided that the establishment thereof has been approved by the Pennsylvania State Banking Department."

Approved unanimously.

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

"This refers to your letter of August 28, 1935, with regard to the service by the Pilgrim Trust Company, Boston, Massachusetts, as trustee for the bondholders of a distillery

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"company. You called attention to the fact that the trust company is subject to a condition of membership to the effect that there shall not be any change in the general character of its business or in the scope of the corporate powers exercised by it at the time of its admission to membership except with the permission of the Board. Since the trust company was not exercising trust powers at the time of its admission, you requested advice as to whether, under the condition of membership referred to, the Pilgrim Trust Company should apply for permission of the Board to act as trustee for the bondholders of the distillery company.

"It is understood that the Pilgrim Trust Company does not plan to do a general trust business and that its service as trustee for the bondholders of the distillery company is an isolated case with the bank. In the circumstances, the Board will raise no objection to the Pilgrim Trust Company acting as trustee in that case, but if such company should contemplate exercising trust powers in other instances it should obtain the permission of the Board before doing so. Please advise the trust company accordingly."

Approved unanimously.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, authorizing him to issue a limited voting permit to the "Northwest Bancorporation", Minneapolis, Minnesota, entitling such organization to vote the stock which it owns or controls of "The First National Bank of Philip", Philip, South Dakota, at any time prior to January 1, 1936, to act upon a proposal or proposals to consolidate such bank and "The First National Bank of Rapid City", Rapid City, South Dakota, under the charter of The First National Bank of Rapid City and under the title of "First National Bank of Rapid City", and to take such further action as shall be necessary in order to effect such consolidation, provided that all action taken shall be in substantial accordance with the provisions of the agreement of consolidation transmitted to Northwest Bancorporation by the office of the Comptroller of the

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Currency under date of September 24, 1935, and shall have been approved by the Comptroller of the Currency. The telegram also stated that on the basis of facts stated in a letter dated September 30, 1935, from the Northwest Bancorporation and in the absence of any further facts indicating that that corporation controls any shares of the stock of The First National Bank of Rapid City other than 440 shares which it owns, it appeared that Northwest Bancorporation was not a holding company affiliate of such bank and, accordingly, a voting permit entitling it to vote stock of such bank had not been authorized.

Approved unanimously.

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

"In accordance with request received from Treasury, it will be appreciated if you will immediately distribute by circular to banks in your district by such methods as you think will be most certain to reach all banks, both member and nonmember, the following communication from the President of the United States: QUOTE September 28, 1935. Executive Office. All Banks: The Nation-wide Works Program which the Federal Government has launched in order to give employment to men and women on the relief rolls is now under way. The program will naturally involve the issuance of a large number of pay checks, which checks will be drawn on the Treasurer of the United States by Federal disbursing officers in the States.

"In order to prevent delays in the payment of wages and in order that these workers, practically all of whom have been on the relief rolls, may receive the fullest benefit from their employment, it is essential that our banks throughout the country extend every possible cooperation by cashing these checks at par upon proper identification, which will in most cases be the identification card given the payee by the employing office.

"I urge bankers to extend to this program the fullest cooperation to the end that these checks will be cashed

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"promptly and in full.

Franklin D. Roosevelt. UNQUOTE"

Approved unanimously.

Memorandum dated October 9, 1935, from Mr. Smead, Chief of the Division of Bank Operations, stating that on October 4, 1935, the Federal Reserve Bank of Kansas City purchased, as of October 3, \$100,000 face amount of 3 per cent Home Owners' Loan Corporation bonds maturing May 1, 1952, as a Self Insurance Fund investment, and on the following day increased its holdings of obligations fully guaranteed by the United States to \$181,000, and that in his memorandum of November 5, 1934, submitting proposed changes in the form of balance sheet to be used by the Federal reserve banks during 1935, he had recommended that any securities fully guaranteed by the United States Government which may be purchased by the Federal reserve banks be shown separately in the weekly statement immediately following the item "Total U. S. Government Securities" against the caption "Securities fully guaranteed by U. S. Gov't." which recommendation was approved by the Board on November 9, 1934. The memorandum also stated that in view of the comparatively small amount of these securities held by the Federal Reserve Bank of Kansas City, the only Federal reserve bank that holds any obligations fully guaranteed by the United States, and also of the fact that the purchase was made as a Self Insurance Fund investment, it was recommended that these securities be included in item "Other securities" in the Board's weekly press statement of condition of the Federal reserve banks instead of being shown separately against the

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caption "Securities fully guaranteed by U. S. Gov't." as recommended in the memorandum of November 5, 1934. The memorandum stated further that in case the Federal reserve banks should acquire a substantial amount of obligations fully guaranteed by the U. S. Government, a further recommendation would be made on the subject.

Approved unanimously.

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

"Reference is made to your letter of September 30 inclosing a copy of the letter from the Chemical Bank & Trust Company, New York, requesting waiver of the requirement for submission of reports of the Northeastern Water and Electric Corporation and its fifty-six subsidiaries which are affiliates of the Chemical Bank & Trust Company.

"As stated by you, the terms of waiver contained in the Board's letter of September 9, 1935, X-9512, do not apply in this instance and, accordingly, it is requested that the Chemical Bank & Trust Company be advised that reports of the Northeastern Water and Electric Corporation and its fifty-six subsidiaries should be submitted and published as of the date of the next call for condition reports."

Approved unanimously.

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

"The Comptroller of the Currency on May 29 instructed Chief National Bank Examiner Madland to cooperate with Fred L. Garlock of the Bureau of Agricultural Economics, Department of Agriculture, who is engaged in making a study of bank failures in Utah, by making available to him such information as he may require, with the understanding that in using any information obtained Garlock will not give the name of a specific bank and will treat the matter as he has in his study of bank failures in Arkansas, with which I am familiar.

"Madland wired the Comptroller on October 8, stating that his files did not contain all data as far back as re-

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"quired and that it would be necessary to obtain the same from your bank. Comptroller's office has requested Board to authorize reserve bank to make necessary information available to Garlock on the same basis upon which Madland was authorized to do so. In the circumstances, Board will interpose no objection to your bank cooperating with Garlock in the manner indicated."

Approved unanimously.

Letter to Mr. Joseph Wayne, Jr., President, The Philadelphia National Bank, Philadelphia, Pennsylvania, reading as follows:

"Reference is made to your letter of September 10, 1935, asking whether Mr. Arthur C. Dorrance may continue to serve as a director of your bank in view of the amendments to the Clayton Act contained in the Banking Act of 1935.

"Prior to the enactment of the Banking Act of 1935, Mr. Dorrance had filed an application under the Clayton Act for permission to serve as a director of your bank, as a manager of Girard Trust Company, Philadelphia, Pennsylvania, and as a director of Guaranty Trust Company of New York, New York, New York. On February 25, 1935, the Board denied this application, and although additional information was submitted in connection therewith, the Board did not subsequently alter its decision.

"Mr. Dorrance's services as a director of your bank and as a manager of the Girard Trust Company are within the prohibitions of section 8 of the Clayton Act as amended by section 329 of the Banking Act of 1935. Section 8 as amended contains a provision which makes the prohibitions of the section inapplicable, until February 1, 1939, to any director, officer, or employee of a member bank of the Federal Reserve System who was 'lawfully serving' as director, officer, or employee of other banks on the date of the enactment of the Banking Act of 1935, August 23, 1935. However, the prohibitions of the Clayton Act were applicable to Mr. Dorrance's relationships prior to the enactment of the Banking Act of 1935 and those relationships were not authorized by a permit issued by the Board. Accordingly, Mr. Dorrance was not 'lawfully serving' within the meaning of the above provision, and therefore may not lawfully continue to serve at the same time as a director of your bank and as a manager of the Girard Trust Company.

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"However, in view of the provisions of paragraph (5) of section 8 of the Clayton Act as amended by the Banking Act of 1935, Mr. Dorrance may lawfully continue to serve at the same time as a director of Guaranty Trust Company of New York and either as a director of your bank or as a manager of Girard Trust Company.

"In the event that you have any further inquiries in connection with this matter, it is suggested that it may be more convenient for you to communicate directly with the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia.

"A copy of the Banking Act of 1935 is inclosed for your information."

Approved unanimously.

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

"Reference is made to your letter of September 16, 1935 and previous correspondence concerning the Clayton Act permit granted to Mr. Chess Lambertson, Franklin, Pennsylvania, to serve at the same time as director and officer of The Lambertson National Bank of Franklin, Franklin, Pennsylvania, as director and officer of The First National Bank of Cochran, Cochran, Pennsylvania, and as director of the Federal Reserve Bank of Cleveland, Cleveland, Ohio.

"In its letter to you of December 8, 1934, forwarding the permit, the Board requested you to review this case on July 31, 1935, and report in detail as to the progress made by Mr. Lambertson, his family, and their interests in eliminating their lines of credit from the banks involved, and as to the method by which such eliminations had been effected, at the same time submitting your recommendation as to whether consideration should be given to the revocation of the permit; and your letter of September 16, 1935 supplemented information previously submitted by you in this connection.

"In view of the amendments to the Clayton Act made by the Banking Act of 1935 repealing the provisions relating to the issuance and revocation of individual permits by the Board, it appears that no further action is necessary in connection with the above request contained in the Board's letter of December 8, 1934."

Approved unanimously.

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

"On August 23, 1935, the date of the enactment of the Banking Act of 1935, there was pending before the Board the Clayton Act application of Asbery A. Callaghan for permission to serve as partner of Panhandle Bank and director of The First National Bank of Panhandle, both of Panhandle, Texas. This application had not been acted upon by the Board.

"A resolution of the Board, adopted on September 12, 1935, a copy of which was inclosed with the Board's letter of September 13, 1935 (X-9317), granted permission pursuant to the authority conferred on it by the provisions of the first paragraph of section 8 of the Clayton Act as amended by section 329 of the Banking Act of 1935, to any person who on August 23, 1935 had an application for permission to serve two or more banks pending before the Board on which the Board had taken no action, to serve as director, officer, or employee of any member bank named in such application and of any other one bank named in such application, in addition to any service otherwise lawful under the Clayton Act, until the adoption of general regulations under the Clayton Act by the Board, or until March 1, 1936, whichever is the earlier.

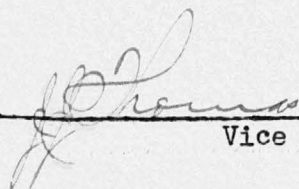
"Under the circumstances, the relationships covered by Mr. Callaghan's application are permitted until the adoption by the Board of general regulations under the Clayton Act or until March 1, 1936, whichever is the earlier.


"In this connection, your attention is invited to the fact that section II(f)(3)(ii) of the tentative draft of Regulation L, a copy of which has been sent to you (X-9317), would grant permission to a private banker to be at the same time a director, officer, or employee of 'a member bank more than 50 per cent of the common stock of which is owned directly or indirectly by such private banker or by a firm of private bankers of which he is a member'. The information before the Board indicates that such an exception would be applicable in the case of Mr. Callaghan, and it is assumed that, if this is the case and if Regulation L as finally adopted by the Board contains a provision such as that described above, you will then advise Mr. Callaghan accordingly."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
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 Vice Chairman.

  
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 Secretary.