

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 28, 1935, at 11:30 a. m.

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

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

The Board acted upon the following matters:

Telegram to Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, reading as follows:

"Your telegram October 26. Board approves for your bank rate of  $2\frac{1}{2}\%$  per annum on advances to member banks under section 10(b) of Federal Reserve Act as amended by Banking Act of 1935, effective October 29, 1935, and notes with approval the establishment without change of the other rates of discount and purchase in effect at your bank."

Approved unanimously.

Memorandum dated October 24, 1935, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the temporary appointment for a period of three months of Miss Jane Wenger as a clerk in the Division, with salary at the rate of \$1,440 per annum, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

Telegram to Mr. Fletcher, Acting Federal Reserve Agent at the Federal Reserve Bank of Cleveland, referring to the application of the "City Deposit Bank and Trust Company of Pittsburgh", Pittsburgh, Pennsylvania, for permission to withdraw immediately from membership in the Federal Re-

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serve 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 City Deposit Bank and Trust Company of Pittsburgh, the Federal Reserve Bank of Cleveland is authorized to cancel such stock and make refund thereon.

Approved unanimously.

Letter to "The Barnstable County National Bank of Hyannis", Hyannis, Massachusetts, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Massachusetts, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

Approved unanimously.

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

"Reference is made to your letter of September 20, 1935, transmitting the application of the 'Community National Bank of Pontiac', Pontiac, Michigan, for permission to exercise full fiduciary powers.

"It has been noted that your executive committee has recommended that the applicant bank be granted authority to act as escrow agent and depository only. In this connection,

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"however, your attention is called to the fact that it is not the Board's practice to grant trust powers in these terms; but, as you know, the Board may grant the bank the so-called general power to 'act in any other fiduciary capacity' in which State competing institutions are authorized to act, and, in the event of such a grant, the bank would be entitled thereunder to act as escrow agent and depository if acting in these capacities is acting in a 'fiduciary capacity' within the meaning of section 11(k) of the Federal Reserve Act, and if State competing institutions are permitted to act in such capacities. The bank, however, would also be entitled to act in any other fiduciary capacity permitted to such State institutions, and, since it is understood that competing trust companies in Michigan may act in all the fiduciary capacities specifically enumerated in section 11(k), such grant would be tantamount to a grant of full trust powers. In the circumstances, and in view of the reasons underlying the recommendation of your executive committee, it would not seem appropriate to grant the general power to the applicant bank.

"Consideration has been given to the question whether a grant of authority to act as 'trustee' would enable the applicant bank to carry on the types of transactions which it desires to handle, and, if so, whether it would be advisable to grant such power in view of the fact that it also would enable the bank to accept other types of trusteeships, such as trustee under a will or agreement, requiring a knowledge of fiduciary services which the institution apparently is not adequately equipped to furnish.

"It appears possible that the transactions which the bank desires to carry on under the head of escrow agent and depository are agency or safekeeping matters which may be handled by an institution not having fiduciary powers. It appears, also, that the fact that the bank would not be protected under its fidelity bonds against defaults in those cases where it or its officers act as escrow agent, which the bank states is one of its reasons for applying for trust powers, is not in itself sufficient reason for the granting of such powers, but is rather a matter for adjustment between the bank and the bonding companies involved.

"Inasmuch as it would be contrary to the Board's usual practice to grant the applicant bank the specific trust powers in the terms recommended by your executive committee, and in view of the apparent inadvisability of granting the general power, it will be appreciated if you will give further consideration to the bank's application and advise whether you feel that the bank has any real need for trust powers and, if so, the extent to which you and your executive committee are

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"willing to recommend the granting of such powers, in view of the apparent inexperience of its official staff in fiduciary matters and the other circumstances involved."

Approved unanimously.

Letter to Mr. Dunlop, Controller of the Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of October 3 in regard to the sale of \$422,000 of Fourth Liberty Loan bonds and the purchase of a like amount of 2 3/4 percent Treasury bonds of 1945-47.

"Inasmuch as the purpose of the transaction was to exchange Fourth Liberty Loan bonds for the 2 3/4 percent Treasury bonds under the exchange offer of the United States Treasury, it would appear proper to take up the 2 3/4 percent Treasury bonds at par and to credit the net proceeds, \$1,444.76, in excess of interest on the Liberty Loan bonds to September 16, to profit and loss as profit on sale of United States Government securities."

Approved unanimously.

Letter to the Attorney General of the United States, reading as follows:

"This refers to Assistant Attorney General Keenan's letter of September 21, 1935 (JBK-WHR 29-100-42) regarding the procedure to be followed in reporting apparent violations of the Act of May 18, 1934.

"The Board has noted the suggestions concerning the manner of reporting apparent violations of such provision of law. However, the Board would appreciate advice as to your wishes with respect to whether a Federal Reserve Agent should report an apparent violation of such statute to the United States Attorney when the Agent has been advised by the bank involved that it has already reported the matter to the United States Attorney, and also as to whether in such a case you desire any report to be forwarded to the Board by the Agent for transmittal to the Department of Justice, as has been the practice in the past. It is assumed that where it does not appear to the Federal Reserve Agent that a report has been made to the local United States Attorney you will desire that, in accordance with the present practice, the matter be reported

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"to the local United States Attorney and a copy of such report be forwarded to you, but advice on this point also will be appreciated.

"The Board desires to cooperate with the Department of Justice in its administration of this provision of law, and upon receipt of the above advice from your Department all Federal Reserve banks and member banks will be advised regarding the matter."

Approved unanimously.

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

"In its letter of May 1, 1933 (X-7426), the Board suggested that each Federal Reserve Agent adopt the practice of making an annual review of outstanding Clayton Act permits in his district and of submitting his recommendation in each case in which he felt that consideration should be given to the revocation of the permit. In its telegram of March 5, 1935 (Trans. 2225), the Board suggested that the submission of such reports be deferred in view of the pending amendments to the Clayton Act.

"Further, in several instances, the Board has requested a Federal Reserve Agent to make a review at some specified date or dates of the circumstances in connection with a particular permit and to furnish the Board with his recommendation as to whether it should be revoked.

"In view of the amendments to the Clayton Act made by the Banking Act of 1935 which repealed the provisions relating to the issuance and revocation of individual permits by the Board, it will not be necessary for you to make any such review, report, or recommendation.

"As you know, a revised procedure in connection with the enforcement of the Clayton Act is under consideration, and in this connection a tentative draft of letter (L-173-a) has been sent to you with the Board's letter of September 13, 1935 (X-9317)."

Approved unanimously.

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

"There is inclosed a copy of a letter dated October 11, 1935, from Mr. H. M. Kirkman, New Haven, Connecticut, addressed

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"to the Comptroller of the Currency and referred to the Board for reply.

"It will be noted that Mr. Kirkman inquires as to whether in view of the provisions of the Banking Act of 1935 he may legally serve at the same time as director and officer of The Trademens National Bank of New Haven, and First Federal Savings & Loan Association of New Haven, both of New Haven, Connecticut.

"Since Federal Savings and Loan Associations are not 'organized under the National Bank Act or organized under the laws of any State or of the District of Columbia .....', the prohibition of Section 8 of the Clayton Act as amended by Section 329 of the Banking Act of 1935, is not applicable to the relationships mentioned. It will be appreciated if you will advise Mr. Kirkman accordingly."

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 August 10, 1935, transmitting the application of Mr. Trafford Boyd, Camden, Ohio, for permission under the provisions of the Clayton Act to serve at the same time as officer of First National Bank in Camden, Camden, and as director of The First National Bank of New Paris, New Paris, both of Ohio.

"In view of the fact that the banks involved in Mr. Boyd's application are approximately twenty-one miles apart and are located in towns each of which has a population of about 900, it would seem that Mr. Boyd's services to these banks come within the exception in section 8 of the Clayton Act, as amended by section 329 of the Banking Act of 1935, applicable to banks which are not located in the same city, town, or village. In this connection, reference is made to the Board's letter of October 11, 1935 (X-9341). If, in the light of your knowledge of the situation, you feel that this conclusion is correct, it is suggested that you advise Mr. Boyd accordingly.

"As you know, even if Mr. Boyd's services to the two banks do not come within the exception referred to above, such services could lawfully continue until March 1, 1936 or until the adoption of general regulations by the Board, whichever is the earlier, pursuant to the permission granted in the Board's resolution of September 12, 1935, copy of which was sent to you in the Board's letter of

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"September 13, 1935 (X-9317). However, if his services do come within that exception, the permission granted in the resolution would, of course, not be applicable."

Approved unanimously.

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

"Reference is made to Assistant Federal Reserve Agent Young's letter of August 12, 1935, transmitting the application of Mr. Price Heckman, Polo, Illinois, for permission under the provisions of the Clayton Act to serve at the same time as director of The Polo National Bank, Polo, Illinois, and Citizens State Bank, Mount Morris, Illinois.

"In view of the fact that the banks involved in Mr. Heckman's application are located in different towns approximately twelve miles apart, it would seem that Mr. Heckman's services to these banks come within the exception in section 8 of the Clayton Act, as amended by section 329 of the Banking Act of 1935, applicable to banks which are not located in the same city, town, or village. In this connection, reference is made to the Board's letter of October 11, 1935 (X-9341). If, in the light of your knowledge of the situation, you feel that this conclusion is correct, it is suggested that you advise Mr. Heckman accordingly.

"As you know, even if Mr. Heckman's services to the two banks do not come within the exception referred to above, such services could lawfully continue until March 1, 1936 or until the adoption of general regulations by the Board, whichever is the earlier, pursuant to the permission granted in the Board's resolution of September 12, 1935, copy of which was sent to you in the Board's letter of September 13, 1935 (X-9317). However, if his services do come within that exception, the permission granted in the resolution would, of course, not be applicable."

Approved unanimously.

Letter to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of August 8, 1935, transmitting the applications of Messrs. Art T. Lewis and Bert Lewis, Fayetteville, Arkansas, for permission under

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"the provisions of the Clayton Act to serve respectively as director and officer and as director of The First National Bank of Fayetteville, Fayetteville, Arkansas, and The First National Bank of Springdale, Springdale, Arkansas; and the application of Mr. F. P. Earle, Fayetteville, Arkansas, for permission to serve as director and officer of The First National Bank of Fayetteville, Fayetteville, Arkansas, and Bank of Lincoln, Lincoln, Arkansas.

"It appears that the banks involved in the applications of the Messrs. Lewis are located in different towns approximately ten miles apart which have populations of 7,394 and 2,763, respectively; and that the banks involved in the application of Mr. Earle are located in different towns approximately twenty-two miles apart which have populations of 7,394 and 687, respectively. Accordingly, it would seem that the services of the Messrs. Lewis and Mr. Earle to the banks involved in their respective applications come within the exception in section 8 of the Clayton Act, as amended by section 329 of the Banking Act of 1935, applicable to banks which are not located in the same city, town, or village. In this connection, reference is made to the Board's letter of October 11, 1935 (X-9341). If, in the light of your knowledge of the situation, you feel that this conclusion is correct, it is suggested that you advise the Messrs. Lewis and Mr. Earle accordingly.

"As you know, even if the services of these gentlemen do not come within the exception referred to above, such services could lawfully continue until March 1, 1936 or until the adoption of general regulations by the Board, whichever is the earlier, pursuant to the permission granted in the Board's resolution of September 12, 1935, copy of which was sent to you in the Board's letter of September 13, 1935 (X-9317). However, if their services do come within that exception, the permission granted in the resolution would, of course, not be applicable."

Approved unanimously.

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

Bank of St. Louis, reading as follows:

"Reference is made to your letter of October 7, 1935, inclosing a copy of a letter addressed to the president of the Manufacturers Bank & Trust Company of St. Louis, St. Louis, Missouri, dated September 20, 1935, and a copy of a letter dated September 30, 1935, from the attorneys for the trust company, suggesting that, in revising Regulation L dealing with inter-



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"locking bank directorates under the Clayton Act, consideration be given to the inclusion of a provision which would make it possible for Mr. Edgar M. Queeny to serve as a director of the trust company and as a director of the Mercantile-Commerce Bank and Trust Company, also of St. Louis.

"Your letter and inclosures are being brought to the attention of members of the Board. As you know, a revision of Regulation L is in the course of preparation, but it has not yet been acted upon by the Board."

Approved unanimously.

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 application of Mr. W. S. Cochran under the Clayton Act for a permit to serve as director of Houston Land & Trust Company and as director and officer of First National Bank in Houston, both of Houston, Texas. This application had not been acted upon by the Board.

"As you were advised in the Board's letter of September 13, 1935 (X-9317), a resolution of the Board adopted on September 12, 1935 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 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.

"The effect of the Board's resolution in this case is to permit Mr. Cochran to serve as director of Houston Land & Trust Company and as director and officer of First National Bank in Houston until the adoption of general regulations under the Clayton Act by the Board or until March 1, 1936, whichever is the earlier. Please advise Mr. Cochran accordingly."

Approved unanimously.

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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. 4.</u>		
The First National Bank of Cincinnati, Cincinnati, Ohio.	60	
The National Bank of West Virginia at Wheeling, Wheeling, West Virginia.	<u>2</u>	62
<u>District No. 7.</u>		
The First National Bank of Lake Forest, Lake Forest, Illinois.	30	30
<u>District No. 8.</u>		
The National Stock Yards National Bank of National City, National Stock Yards, Illinois.	30	30
<u>District No. 9.</u>		
The Miners First National Bank of Ishpeming, Ishpeming, Michigan.	15	
The First National Bank at St. James, St. James, Minnesota.	<u>1</u>	16
<u>District No. 10.</u>		
The First National Bank of Grand Island, Grand Island, Nebraska.	30	30
<u>District No. 12.</u>		
The National Bank of Commerce of Seattle, Seattle, Washington.	<u>14</u>	<u>14</u>
	<u>Total</u>	<u>182</u>

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

*W. S. ...*  
Chairman.

*Robert ...*  
Secretary.