

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, November 5, 1935, at 11:30 a. m.

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

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

Mr. Morrill reported that the Comptroller of the Currency to-day issued a call on all national banks for reports of condition as at the close of business on November 1, 1935, and that, in accordance with the usual practice, a call was made on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was unanimously approved.

The Board then acted upon the following matters:

Letters to Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, and to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating respectively that the Board approves the establishment without change by the Cleveland and Chicago banks on November 1, and by the Dallas bank on November 2, 1935, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Memorandum dated November 2, 1935, from Mr. Wyatt, General Counsel, recommending the temporary appointment of Miss Avelyn Buchanan as a stenographer in the legal division for the period ending December 31, 1935, with salary at the rate of \$130 per month, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

Letter to Governor Seay of the Federal Reserve Bank of Richmond, reading as follows:

"Referring to Mr. Johnstone's letter of October 24, the Board of Governors of the Federal Reserve System approves the temporary assignment of Mrs. Emma B. Roberts to the position of Assorter-Typist, Fiscal Agency Department, at an annual salary of \$1500, which is \$240 in excess of the salary range provided for this position, for a period of six months beginning November 1, 1935.

"With reference to Mr. Johnstone's inquiry as to whether the Board's approval should be obtained before temporarily assigning Mr. J. Raymond Heeke to the position of General Clerk, Transit Department, at an annual salary of \$1860 which is \$60 in excess of the salary range provided for that position, the Board is of the opinion that, inasmuch as Mr. Heeke has been working since May 1, 1935 in a position calling for a lower salary than he is paid, his temporary assignment to the above-mentioned position should have the Board's approval, which is hereby given for a period of six months beginning November 1, 1935."

Approved unanimously.

Letter to Governor Martin of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to Mr. Attebery's letter of October 21, requesting the approval of the Board of Governors of the Federal Reserve System of the temporary assignment of Mr. A. K. Summers to the position of Clerk and Recorder, Custody Department, Louisville Branch, at an annual salary

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"of \$2,500, which is \$1,300 in excess of the salary range provided for that position.

"In view of the circumstances outlined in Mr. Attebery's letter, the Board approves the temporary assignment of Mr. Summers to the above-mentioned position, without reduction in salary, for the 12 month period ending March 28, 1936."

Approved unanimously.

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

"In connection with its consideration of the application of 'Inter-County Title Guaranty and Mortgage Company', Floral Park, New York, for a voting permit entitling such corporation to vote the stock which it owns or controls of the 'Floral Park Bank', Floral Park, New York, the Board has determined that such applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and that, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If, for any reason, you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise, you are requested to transmit the inclosed letter to the applicant. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. In this connection, it is requested that you advise the Board if, at any time, you believe this matter should again be considered by the Board."

Approved unanimously, together with a letter to the "Inter-County Title Guaranty and Mortgage Company", Floral Park, New York, reading as follows:

"This refers to the application of your corporation for

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"a voting permit entitling it to vote the stock which it owns or controls of the 'Floral Park Bank', Floral Park, New York.

"The Board understands that your corporation was organized and is operated for the purpose of conducting a title guaranty and mortgage loan business; that the principal assets of the corporation consist of mortgages and the title plant; that the investment of your corporation in the stock of the Floral Park Bank was incidental to its principal business; and that the investment in the stock of such bank constitutes a relatively small portion of your total assets. It is also understood that your corporation does not hold stock of, or manage or control, any bank other than the Floral Park Bank and that your corporation was not organized and is not operated for the purpose of managing or controlling banks.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933, defining the term 'holding company affiliate', by adding thereto the following paragraph:

'Notwithstanding the foregoing, the term "holding company affiliate" shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of the stock of which is owned by the United States, or any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.'

"In view of the above facts, the Board has determined that your corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of the above quoted statutory provision, and, therefore, is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your corporation to obtain a voting permit in order to vote the stock which it owns or controls of the Floral Park Bank and on this basis the Board will give no further consideration to your application for such a permit.

"If, however, your corporation acquires control over any other bank, or the character of the business of your corporation, the nature of its assets, or the purpose for which it is operated should at any time differ from the description

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"thereof contained in this letter to an extent which would indicate that it might be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

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

"In connection with its consideration of the application of 'Realty & Security Co.', Passaic, New Jersey, for a voting permit entitling it to vote the stock which it owns or controls of the 'People's Bank and Trust Company', Passaic, New Jersey, the Board has determined that the applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If, for any reason, you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise, you are requested to transmit the inclosed letter to the applicant. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. In this connection it is requested that you advise the Board if, at any time, you believe this matter should again be considered by it."

Approved unanimously, together with
a letter to "Realty & Security Company",
Passaic, New Jersey, reading as follows:

"This refers to the application of your company for a voting permit entitling it to vote the stock which it owns or controls in the 'People's Bank and Trust Company', Passaic,

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"New Jersey.

"The Board understands that your company was organized in 1930 for the purpose of dealing in securities; that prior to May, 1934, your company was the wholly owned subsidiary of the People's Bank and Trust Company and owned the bank building and other real estate; that as a means of reorganizing the bank, which had been operating on a restricted basis since 1933, your company was used as a medium of effecting such plan; that all of the capital stock of the bank was canceled and a like amount, except directors' qualifying shares, issued to your company; that your company issued a like amount of its stock to the former stockholders of the bank; that the unsecured depositors of the bank who waived a portion of their claims received in exchange the equivalent in par value of preferred stock of your company and that all of the preferred stock of your company is held by such depositors; that your company in turn received certain assets of the bank of a book value of approximately the amount of preferred stock so issued; that these assets, including the stock of the People's Bank and Trust Company owned by your company, are pledged to the Reconstruction Finance Corporation for a loan, the proceeds of which were contributed to the bank; that the common stock of your company has no voting power and the holders thereof receive no dividends until your preferred stock is paid or retired; that the bank is the only subsidiary of your company; that your company owns all the stock of the People's Bank and Trust Company; except directors qualifying shares, but does not own or control any other bank stock; that the activities of your company are confined chiefly to the liquidation of the assets of the old bank; and that your company was not organized and is not now operated for the purpose of managing or controlling the People's Bank and Trust Company and does not hold the stock of that bank for such purpose.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933, defining the term holding company affiliate, by adding thereto the following paragraph:

'Notwithstanding the foregoing, the term "holding company affiliate" shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of the stock of which is owned by the United States, or any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.'

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"In view of the above facts, the Board has determined that your company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of the above quoted statutory provisions, and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your company to obtain a voting permit in order to vote the stock which it owns or controls of the People's Bank and Trust Company, and, on this basis, the Board will give no further consideration to your application for such a permit.

"If, however, your company acquires control over any other bank, or the purpose for which your company operates, the purpose for which it holds the stock of the subsidiary bank, the nature of its assets, or the character of the functions which it performs should at any time differ from the description thereof contained in this letter to an extent which would indicate that it might be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

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

"In connection with its consideration of the application of 'Williamson Mining & Manufacturing Company', Williamson, West Virginia, for a voting permit entitling such corporation to vote the stock which it owns or controls of 'The First National Bank of Williamson', Williamson, West Virginia, the Board has determined that such applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and that, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If, for any reason, you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise, you are requested to transmit the inclosed letter to the applicant. A copy of the letter is

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"also inclosed for your files.

"As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. In this connection, it is requested that you advise the Board if, at any time, you believe this matter should again be considered by the Board."

Approved unanimously, together with a letter to the "Williamson Mining & Manufacturing Company", Williamson, West Virginia, reading as follows:

"This refers to the application of your corporation for a voting permit entitling it to vote the stock which it owns or controls of 'The First National Bank of Williamson', Williamson, West Virginia.

"The Board understands that your corporation was originally organized for the purpose of conducting the business of mining and selling coal, manufacturing furniture, lumber, coke, iron, glass, leather, and other products, and laying off a town and disposing of lots, and that the principal business of the corporation has been the purchase, sale and management of coal mining properties. It is understood that the principal asset of the corporation is unimproved real estate and the coal which underlies it. It is further understood that your corporation's investment in the stock of The First National Bank of Williamson was incidental to its principal business. It is also understood that the investment in the preferred stock of the corporation was made for the purpose of rehabilitating the capital structure of such bank in order to provide adequate banking facilities in the city in which the business of the corporation and its related interests is centered.

"It is noted that the balance sheet of your corporation as of March 15, 1935, showed that the corporation had assets classified as follows:

Accounts Receivable	\$ 17 751 03
Bills Receivable	36 800 84
Investments	218 100 00
Real Estate	522 491 60
Coal (Not yet mined)	157 970 00

"It is understood that your investment in the stock of The First National Bank of Williamson consists of all of the 2,000 outstanding shares of preferred stock and 80 of the 500 outstanding shares of common stock of the bank, all of which stock has a par value of \$100 per share. It is also

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"understood that your corporation does not hold stock of, or manage or control, any bank other than The First National Bank of Williamson.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933, defining the term 'holding company affiliate', by adding thereto the following paragraph:

'Notwithstanding the foregoing, the term "holding company affiliate" shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of the stock of which is owned by the United States, or any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.'

"In view of the above facts, the Board has determined that your corporation is not engaged, directly, or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of the above quoted statutory provision, and, therefore, is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your corporation to obtain a voting permit in order to vote the stock which it owns or controls of The First National Bank of Williamson and on this basis the Board will give no further consideration to your application for such a permit.

"If, however, your corporation acquires control over any other bank, or the character of the business of your corporation, the nature of its assets, or the purpose for which it is operated should at any time differ from the description thereof contained in this letter to an extent which would indicate that it might be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

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

"In connection with its consideration of the application

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"of 'Central Securities Company', San Antonio, Texas, for a voting permit entitling it to vote the stock which it owns or controls of 'The South Texas National Bank of San Antonio', San Antonio, Texas, the Board has determined that the applicant is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, accordingly, the applicant is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"Inclosed herewith is a letter to the applicant advising it concerning the Board's action in this matter. If, for any reason, you believe that this matter should be reconsidered by the Board, please communicate with the Board at once. Otherwise you are requested to transmit the inclosed letter to the applicant. A copy of the letter is also inclosed for your files.

"As you will note, the Board expressly reserves the right to make a further determination of this matter at any time on the basis of the then existing facts. In this connection it is requested that you advise the Board if, at any time, you believe this matter should again be considered by it."

Approved unanimously, together with
a letter to "Central Securities Company",
San Antonio, Texas, reading as follows:

"This refers to the application of your company for a voting permit entitling it to vote the stock which it owns or controls in 'The South Texas National Bank of San Antonio', San Antonio, Texas.

"The Board understands that your company was organized in 1929 for the purpose of dealing in securities but that it has never engaged in that business; that your company was inactive when City-Central Bank and Trust Company closed in September, 1931; that, when plans relating to the reorganization of such bank were developed, it was decided to use your company as a medium for consummating such plans; that with the assistance of a loan from the Reconstruction Finance Corporation your company acquired the assets of such bank and a first and final dividend was paid to the bank's creditors; that under such plans South Texas Bank and Trust Company (now The South Texas National Bank of San Antonio)

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"was organized; that your company's only assets were acquired in connection with such plans and your company is now engaged in liquidating such assets; that stock of your company was issued to creditors of the old bank participating in such plans and the stock of your company is owned principally by such creditors who took such stock in order to recoup a portion of their losses resulting from the closing of the old bank; that your company owns substantially all of the stock of The South Texas National Bank of San Antonio but does not own or control any other bank stock; that substantially all of such bank stock, together with other assets, is pledged to secure the loan from the Reconstruction Finance Corporation; and that your company was not organized and is not now operated for the purpose of managing or controlling The South Texas National Bank of San Antonio and does not hold the stock of that bank for such purpose.

"As you perhaps know, section 301 of the Banking Act of 1935 amended section 2(c) of the Banking Act of 1933, defining the term holding company affiliate, by adding thereto the following paragraph:

'Notwithstanding the foregoing, the term "holding company affiliate" shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of the stock of which is owned by the United States, or any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly, or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.'

"In view of the above facts, the Board has determined that your company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of the above quoted statutory provisions, and, therefore, it is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. Accordingly, it is not necessary for your company to obtain a voting permit in order to vote the stock which it owns or controls of The South Texas National Bank of San Antonio and, on this basis, the Board will give no further consideration to your application for such a permit.

"If, however, your company acquires control over any other bank, or the purpose for which your company operates, the purpose for which it holds the stock of the subsidiary bank, the nature of its assets, or the character of the

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"functions which it performs should at any time differ from the description thereof contained in this letter to an extent which would indicate that it might be engaged as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

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

"Receipt is acknowledged of Mr. Young's letter of October 19, 1935, with inclosures, with further reference to the liability of the Fayette Bank and Trust Company, Connersville, Indiana, in connection with certain contributions made to it in 1923 by its stockholders.

"It appears from the information submitted with Mr. Young's letter that the entire amount of these contributions was used to eliminate assets of the bank which were on its books as of July 10, 1923; and, assuming that the assets thus eliminated were deemed to be undesirable by the Banking Department of the State of Indiana, it would seem that the bank is now under no liability to reimburse such contributing stockholders."

Approved unanimously.

Telegram to Mr. Knoke, Assistant Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Your letter November 1. Board approves action your directors in authorizing officers your bank to make loan up to \$100,000, for not to exceed 120 days, to National Bank of Nicaragua to be secured by gold bars valued at \$499,000 now earmarked with Federal Reserve Bank of New York, interest on such loan to be charged at discount rate in effect at your bank. Participation in loan by other reserve banks approved and they are being advised by letter accordingly."

Approved unanimously, together with a letter to the chairmen of all Federal reserve banks advising of the Board's action in the matter.

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Letter to Mr. McAdams, Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City, prepared in accordance with the action taken at the meeting of the Board on October 30, 1935, and reading as follows:

"Reference is made to your letter of August 27, 1935, with regard to criticized actions of Mr. F. W. Sponable, President and director of the Miami County National Bank, Paola, Kansas, and a Class A director of the Federal Reserve Bank of Kansas City. As you know, the Board's Division of Examinations, prior to the date of your letter, prepared a summary of the criticisms of Mr. Sponable as set forth in the reports of examination of the national bank and related correspondence. This summary was submitted to the Board, and the question what, if any, action should be taken by the Board was discussed by Mr. Thomas, Vice Chairman, with Governor Hamilton when the latter was in Washington recently.

"All of the information available from the sources referred to was carefully considered, and the conclusion was reached that the Board should take no action on the matter at this time. In this connection, the Board took note of the assurances given by Mr. Sponable and the directors of the national bank that there will be no further violations of law and that every effort will be made to place the national bank in good condition. The Board requests that, in the event the report of the next examination of the bank contains any criticisms of Mr. Sponable, you bring them to the Board's attention with a recommendation as to what, if any, action should be taken. The Board also requests that you advise Mr. Sponable of the contents of this letter."

Approved unanimously.

Letter to Mr. Ray Bill, Sales Management, New York, New York, reading as follows:

"Recently Mr. Paul Wooton handed Mr. Goldenweiser, Director of the Board's Division of Research and Statistics, a letter you wrote to him under date of October 3 with respect to the report by Business Editors on the subject of direct loans to industry.

"In the fourth paragraph of your letter you state that 'When any official of Federal Reserve or of R. F. C. tells you that they have done everything that could be done to stimulate industrial loans, I could tell you with equal

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"firmness that this is not true, and our Committee can prove the truth of our position.' Because we are sincerely interested in doing what we can to further the industrial loan program of the System, we would appreciate greatly your advising us of specific instances wherein the System has failed to do all that it reasonably could to make its industrial loan program a success."

Approved unanimously.

Letter to Governor Schaller of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of October 29 stating that several of your directors have raised a question with respect to the wording of the captions,

'Gold with Federal Reserve Agent'

'Gold Redemption fund - F. R. Notes'

'Gold settlement fund.'

on the daily balance sheet of the bank's Form 34.

"The question as to whether the wording of the above items should be changed was under consideration at the time the payment of gold into general circulation was discontinued and it was decided that, for the time being, no change should be made therein. It is proposed, however, to change such captions in the balance sheet to be used for 1936, a preliminary draft of which, it is hoped, will be sent to you at an early date."

Approved unanimously.

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

"This refers to your letter of October 2, 1935, with which you inclosed a copy of a letter from Mr. K. Winslow, Jr., Vice President and Cashier of the Seattle Trust Company, Seattle, Washington, inquiring whether private banks, building and loan associations, and mutual savings banks are 'banks' within the meaning of the provisions of subsection (g) of section 22 of the Federal Reserve Act, which provide that:

'If any executive officer of any member bank borrow from or if he be or become indebted to any bank other than a member bank of which he is an executive officer, he shall make a written report to

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"the board of directors of the member bank of which he is an executive officer, stating the date and amount of such loan or indebtedness, the security therefor, and the purpose for which the proceeds have been or are to be used."

"Under the provisions of section 1 of the Federal Reserve Act the word 'bank' is defined to include 'State bank, banking association, and trust company except where national banks or Federal Reserve banks are specifically referred to'. The Board heretofore has had occasion to consider whether private banks, building and loan associations, and mutual savings banks are 'banks' within the meaning of similar provisions of the Federal Reserve Act and related provisions of law and has consistently taken the position that private banks and building and loan associations are not 'banks'. The Board's rulings in the case of building and loan associations were confined to the prevailing type found in most States, namely, those the primary function of which is to make loans to their members upon the security of real estate and membership shares, and which do not usually receive deposits from members or others, except installment payments on membership shares. In the circumstances, the Board is of the opinion that private banks and building and loan associations of the kind described above are not 'banks' within the meaning of the provision of subsection (g) of section 22 of the Federal Reserve Act quoted above.

"Mutual savings banks are engaged in banking functions in accepting deposits and making loans. The Attorney General of the United States has held that mutual savings banks should be considered 'banks' within the meaning of section 4 of the Federal Reserve Act, and the Board has held them to be 'banks' within the meaning of similar provisions of the Federal Reserve Act. Accordingly, the Board regards mutual savings banks as 'banks' within the meaning of the provision of law quoted above.

"It will be appreciated if you will advise the Seattle Trust Company of the Board's views in this matter."

Approved unanimously.

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

"This refers to your letter of October 4, 1935, requesting a ruling by the Board concerning whether Northwest Bancorporation is a holding company affiliate of Union Bank

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"and Trust Company, Helena, Montana, and Daly Bank and Trust Company, Anaconda, Montana.

"It is understood that in each instance the Reconstruction Finance Corporation owns a majority of the outstanding shares of stock of the bank; that such shares were voted at the preceding election of the bank's directors and constituted a majority of the shares voted at such election; that such shares were voted by a field representative of the Northwest Bancorporation under a proxy issued for that meeting; and that Northwest Bancorporation owns a majority of the outstanding shares of common stock of the bank.

"Without determining whether the shares of stock owned by the Reconstruction Finance Corporation were controlled by Northwest Bancorporation at the time of the preceding elections of directors of the banks or, under similar circumstances, might be deemed to be so controlled at the time of future stockholders' meetings, the Board is of the opinion that, on the basis of the above facts, Northwest Bancorporation is not now a holding company affiliate of the banks."

Approved unanimously.

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

"Consideration has been given to your letter of September 18, 1935, regarding the request of Mr. W. S. Crandell for a ruling as to the applicability of section 32 of the Banking Act of 1933 to his service as director of The National Union Bank of Kinderhook, Kinderhook, New York.

"The letter from Mr. Crandell, which you inclosed, states that he is an individual member of the New York Stock Exchange and adds, 'My activities are entirely confined to buying and selling securities for my own account on the Stock Exchange.' In the circumstances, you state that you and counsel for your bank are of the opinion that section 32 in its present form is applicable to Mr. Crandell, but that it will not be applicable after January 1, 1936, when the amendments made by the Banking Act of 1935 become effective.

"On the basis of Mr. Crandell's statement quoted above, it would seem that he is engaged in 'purchasing, selling, or negotiating securities' within the literal meaning of section 32 in its present form, although it does not appear definitely whether he is 'primarily' so engaged. On the other hand, it appears that he is not engaged in 'the issue, flotation,

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"underwriting, public sale, or distribution' of securities within the meaning of section 32 as amended by the Banking Act of 1935.

"Therefore, in view of the amendments to section 32 made by the Banking Act of 1933, the Board will interpose no objection to Mr. Crandell's service as a director of the national bank until January 1, 1936, the effective date of the amendments to section 32, at which time, as stated above, it appears that the section will become inapplicable. Please advise Mr. Crandell accordingly."

Approved unanimously.

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

"In connection with a Clayton Act application filed by Mr. William W. Hoffman covering his services as officer of The National City Bank of New York and as officer of City Bank Farmers Trust Company, both of New York, New York, the question was raised whether the provisions of section 32 of the Banking Act of 1933 were applicable to the business transacted by F. B. Hoffman & Company; and, in this connection, you forwarded to the Board with your letter of May 2, 1935 a copy of an opinion of counsel for your bank which reached the conclusion that section 32 should be considered applicable.

"It appeared from the information which had been submitted that the membership of the firm of F. B. Hoffman & Company was composed of Mr. Hoffman and his brothers, and that the business of the firm consisted solely in the investment and reinvestment of its assets in securities. It appeared further that purchases and sales of securities were made on the New York Stock Exchange except occasionally where unlisted securities were purchased, and that the firm had not participated in any transactions involving the issue, underwriting or distribution of securities. The conclusion of your counsel that section 32 was applicable to the relationships involved was based upon the fact that purchases and sales of securities in the firm's portfolio during each of the preceding five years had averaged slightly more than 70 per cent of the total assets and that the average length of time securities were held in its portfolio was correspondingly short.

"However, section 32 has been amended by the Banking Act of 1935, effective January 1, 1936, so as to be applicable to organizations 'primarily engaged in the issue, flotation,

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"underwriting, public sale or distribution' of securities, and since it appears from the information previously submitted that this firm is not engaged in such activities, it appears that section 32 will not be applicable in this case after January 1, 1936. Although the opinion of counsel for your bank in this case does not appear to be inconsistent with rulings made by the Board in similar cases prior to the enactment of the Banking Act of 1935, those rulings show that the question whether section 32 in its present form is applicable in this case is doubtful; and, in the circumstances, it seems proper to give consideration to the amendments referred to above.

"Accordingly, the Board will interpose no objection to Mr. Hoffman's services in the relationships referred to in the first paragraph of this letter until January 1, 1936, after which date it appears from the information submitted that section 32 will not be applicable."

Approved unanimously.

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

"The Clayton Act application of Mr. John Milton for a permit to serve at the same time as director of Hudson County National Bank, Jersey City, New Jersey, Commonwealth Trust Company, Union City, New Jersey, and United States Trust Company of Newark, Newark, New Jersey, was pending before the Board on August 23, 1935, and had not been acted upon.

"Accordingly, in view of the permission granted in the Board's resolution of September 12, 1935, a copy of which was sent to you with the Board's letter of September 13, 1935 (X-9317), Mr. Milton may continue to serve as director of either of the member banks named in his application and of one of the other banks named in that application until March 1, 1936 or until the adoption of general regulations by the Board, whichever is the earlier, even though the prohibitions of section 8 as amended by the Banking Act of 1935 would otherwise be applicable to such relationships.

"In view of the fact that the permission granted in the Board's resolution is applicable to only one bank within the prohibitions of the Clayton Act, in addition to one member bank named in such application, the question whether Mr. Milton may continue to serve all three banks named in his application appears to depend upon whether or not Jersey City, Union City, and Newark are 'contiguous

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"'or adjacent' within the meaning of section 8. Further, the question whether he may continue to serve these banks after the expiration of the permission granted in the Board's resolution appears to depend upon the same questions. However, it is not clear whether or not the three cities are 'contiguous or adjacent' within the meaning of section 8, and therefore it will be appreciated if you will consider the matter in the light of the Board's letter of October 11, 1935 (X-9341), and advise the Board of your conclusions. If you feel that the matter should be considered by the Board, the Board will be glad to do so upon receipt of full information, together with such comments and recommendations as you may care to make."

Approved unanimously.

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 New Jersey Title Guarantee and Trust Company, Jersey City, N. J.	590	590
<u>District No. 7.</u>		
The Community National Bank & Trust Company of Knoxville, Knoxville, Iowa	3	3
<u>District No. 12.</u>		
The Utah State National Bank of Salt Lake City, Salt Lake City, Utah	12	12
	<hr/> Total	<hr/> 605
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 12.</u>		
The First National Bank of Banning, Banning, California	51	
The McCloud National Bank, McCloud, California	<hr/> 45	96

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morine
Secretary.

Approved:

W. Keeler
Chairman.