

A meeting of the Executive Committee of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, November 13, 1935, at 11:30 a. m.

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

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

The Committee acted upon the following matters:

Letter to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, stating that the Board approves the establishment without change by the bank on November 7, 1935, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

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

"Your letter November 7, 1935. Board approves temporary appointment, as of November 5, 1935, of Mr. L. M. Odom as Acting Assistant Federal Reserve Agent at El Paso branch during illness of Mr. G. M. Allen. Inasmuch as bond you have forwarded covering Mr. Odom's service in such capacity recites that, at time of its execution, his appointment had been approved by Board and, since this was not the case at that time, it is believed desirable, in order to eliminate any possible question in the matter, that new bond in same form except for date of execution be executed by Mr. Odom and submitted to Board. Please advise if and when Mr. Odom's temporary appointment is terminated."

Approved unanimously.

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

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"In connection with its consideration of the application of 'The Plainfield Trust Company', Plainfield, New Jersey, for a voting permit entitling such company to vote the stock which it owns or controls of 'The Plainfield National Bank', Plainfield, New Jersey, 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 Plainfield Trust Company", Plainfield, 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 of 'The Plainfield National Bank', Plainfield, New Jersey.

"The Board understands that your company is engaged in the general banking business and was organized and is operated for that purpose; that your company owns 64.1% of the stock of The Plainfield National Bank and also holds among its investments stock of several other banks but in each instance such stock constitutes a very small portion of the outstanding stock of the bank; that the assets of your company are approximately fifteen times as large as those of The Plainfield National Bank, its sole subsidiary bank; that only a relatively small portion of your company's assets is invested in bank stock; and that your company was not organized and is not operated for the purpose of managing or controlling banks.

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"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 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 company to obtain a voting permit in order to vote the stock which it owns or controls of The Plainfield National Bank 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 character of the business of your company, 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. O'Connor, Comptroller of the Currency, reading as follows:

"The Board has under consideration the application of 'BancOhio Corporation', Columbus, Ohio, for a permit under the provisions of Section 5144 of the Revised Statutes of the United States, as amended, to vote the stock which it owns or controls of its subsidiary member banks, which include

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"the following national banks:

- 'The Ohio National Bank of Columbus',  
Columbus, Ohio
- 'The First National Bank and Trust Company of Springfield',  
Springfield, Ohio
- 'The First National Bank of Chillicothe',  
Chillicothe, Ohio
- 'The Citizens National Bank in Zanesville',  
Zanesville, Ohio
- 'The Commercial National Bank of Coshocton',  
Coshocton, Ohio
- 'The Union National Bank of Cadiz',  
Cadiz, Ohio
- 'The First National Bank of Washington Court House',  
Washington Court House, Ohio
- 'The Delaware County National Bank of Delaware',  
Delaware, Ohio
- 'The National Bank of Portsmouth',  
Portsmouth, Ohio

"Section 5144 of the Revised Statutes, as amended by Section 19 of the Banking Act of 1933, expressly provides that, in acting upon the application of a holding company affiliate for a permit to vote the stock of a national bank, the Board may, in its discretion, grant or withhold such permit as the public interest may require. The section further prescribes that the Board shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of the bank.

"Section 27 of the Banking Act of 1933 places upon each national bank the duty of obtaining and furnishing your office reports from each affiliate of such national bank, other than member banks, and this section expressly provides that for its purposes the term 'affiliate' shall include holding company affiliates. Section 28 of the Banking Act of 1933 places upon your examiners, when they examine a national bank, the duty of making such examination of the affairs of its affiliates, other than member banks, as shall be necessary to disclose fully the relations between such bank and such affiliates, and the effect of such relations upon the affairs of such bank. While Section 28 does not refer expressly to holding company affiliates, Section 19 of the Banking Act of 1933 provides that, in making application for a voting permit, a holding company affiliate shall agree to receive examiners duly authorized to examine the banks with which it is affiliated and that such examiners shall make such examinations of such holding company affiliate as shall

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"be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks.

"Your office has examined the said national banks and the holding company affiliate which is the petitioner for a voting permit.

"The Board's Division of Examinations has reviewed the reports of simultaneous examinations as of May 20, 1935, of the holding company affiliate and its subsidiary national banks, together with the related correspondence contained in your files, but has made no independent examination of such organizations although an examiner for the Federal Reserve Bank of Cleveland made an examination of BancOhio Corporation in connection with the simultaneous examinations of its subsidiary State member banks as of May 20, 1935. From the reports of examinations as of May 20, 1935, it has been noted that your examiners have made criticisms relative to the condition and practices of the BancOhio Corporation and certain of its subsidiary national banks concerning, among other things, the following important matters:

The Ohio National Bank of Columbus

1. Real estate loans including a large amount of potential real estate. (A large amount of real estate security had been taken in violation of law.)
2. The large amount of statutory bad debts and overdue paper in real estate loans, most of which loans were burdened with delinquent taxes.
3. Other real estate 'improperly carried upon the bank's records in Loans and Discounts through Real Estate Service Co. and First National Bank Bldg. Co.'
4. Heavy investment in banking house on which 'normal depreciation' had not been taken.
5. Large amount of loans on the stock of BancOhio Corporation.
6. Capital structure was not commensurate with the bank's increasing liabilities and the large amount of real estate of questionable value. (Losses charged off in past four years exceeded the total of net earnings and recoveries although dividends were paid, thereby substantially reducing the bank's invested capital.)

The First National Bank and Trust Company of Springfield

1. Large amount of statutory bad debts and other overdue paper.
2. Real estate carried in 'Loans and Discounts' which may be properly regarded as 'Other Real Estate'.

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- "3. Heavy investment in banking house which until recently has not been properly depreciated.
4. Fees paid to BancOhio Corporation regarded as excessive.

The First National Bank of Chillicothe

1. The large amount of statutory bad debts and other overdue paper.
2. Your office has called attention to the loans collateralized by stock of BancOhio Corporation.

The Citizens National Bank in Zanesville

1. Large amount of statutory bad debts and other overdue paper.
2. Large number of parcels of 'Other Real Estate'.
3. Dividends paid when earnings should be conserved to eliminate doubtful items as promptly as possible.

The Commercial National Bank of Coshocton

Dividends paid to shareholders and administrative charge paid to BancOhio Corporation regarded as not conforming to the earning capacity of the bank.

The Union National Bank of Cadiz

'Supervisory fee to BancOhio Corp. regarded excessive.'

BancOhio Corporation

1. 'The dividend and management fees policy which has been followed has been subject to much criticism and has taken the earnings which should have been used to clean up the banks.'
2. 'The officers of the unit banks and in some instances the directors have vigorously contested loss classifications. This has been done to save charge-offs.....'

"The Board understands that your office has raised a question as to the legality of certain agreements which have been executed by each of the nine subsidiary national banks of BancOhio Corporation with BancOhio Securities Company (formerly the wholly owned subsidiary of BancOhio Corporation) whereby the securities company handles the securities transactions for the banks. (BancOhio Securities Company was formerly an affiliate of each of the national banks involved. Although it appears that technically the affiliate relationships have been terminated, there is no information available to indicate that there have been any actual changes in the type of transactions involved.)

"In view of these criticisms and the Board's responsibility under the law for determining the question of whether at this time to grant or withhold a general voting permit to this company,

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"the Board requests that you inform it at your earliest convenience:

1. As to the effect, in your judgment based upon your examinations, upon the national banks in question of the relations growing out of the ownership or control of the stock of said national banks by the holding company affiliate.
2. Whether, as the result of conclusions which you may have formed as to the effect of such relations, you have any suggestions to offer as to the advisability of granting the permit.
3. What suggestions or recommendations you have made or contemplate making, with regard to the criticized matters referred to above and what progress is being made toward the removal of the causes of said criticisms."

Approved unanimously.

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

"The Board has under consideration the applications of 'The Citizens and Southern National Bank' and 'Citizens and Southern Holding Company', both of Savannah, Georgia, for permits under the provisions of section 5144 of the Revised Statutes of the United States, as amended, to vote the stock which they own or control of 'The La Grange National Bank', LaGrange, Georgia, and 'Albany Exchange National Bank', Albany, Georgia.

"Section 5144 of the Revised Statutes, as amended by Section 19 of the Banking Act of 1933, expressly provides that, in acting upon the application of a holding company affiliate for a permit to vote the stock of a national bank, the Board may, in its discretion, grant or withhold such permit as the public interest may require. The section further prescribes that the Board shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of the bank.

"Section 27 of the Banking Act of 1933 places upon each national bank the duty of obtaining and furnishing your office with reports from each affiliate of such national bank, other than member banks, and this section expressly provides that for its purposes the term 'affiliate' shall include holding company affiliates. Section 28 of the Banking Act of 1933

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"places upon your examiners, when they examine a national bank, the duty of making such examination of the affairs of its affiliates, other than member banks, as shall be necessary to disclose fully the relations between such bank and such affiliates, and the effect of such relations upon the affairs of such bank. While Section 28 does not refer expressly to holding company affiliates, Section 19 of the Banking Act of 1933 provides that, in making application for a voting permit, a holding company affiliate shall agree to receive examiners duly authorized to examine the banks with which it is affiliated and that such examiners shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks.

"Your office has examined the subsidiary national banks and the holding company affiliates which are the petitioners for voting permits.

"The Board's Division of Examinations has reviewed the reports of the recent examinations of the holding company affiliates and their subsidiary national banks, together with the related correspondence contained in your files, but has made no independent examinations of such organizations, although examiners for the Federal Reserve Bank of Atlanta have assisted your examiners in the examination of various units in the group. From the various reports of examinations, it has been noted that your examiners have made criticisms relative to the condition and practices of the holding company affiliates and their subsidiary national banks concerning, among other things, the following important matters:

The Citizens and Southern National Bank

1. All estimated losses shown at time of previous examination not charged off.
2. Statutory bad debts and other overdue paper.
3. Slow and doubtful paper in overdue and current loans.
4. 'LOANS EXCEEDING THE LIMIT' (to affiliates):
 

Citizens and Southern Company -	\$759,000 (Charged off)
Citizens and Southern Holding Company	\$1,468,000 consisting
of the following:	
Loans collateralized by stocks of subsidiary banks -	\$581,000
Loans given for real estate sold by bank -	\$887,000*
* (\$496,000 charged off. In 1930 in order to relieve the bank of the large volume	

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"of real estate carried, Citizens and Southern Holding Company purchased sundry parcels of real estate from the bank for \$921,000 giving its notes in payment. The bank executed a bond for title covering the properties, warranty deed to be delivered on payment of notes in full. At the time purchase was made, it was understood that each office of the bank would pay the Holding Company 1% per month of the amount of real estate transferred by it (until the full amount is amortized) and 4% interest on the unamortized balance. Payments are applied by the Holding Company on purchase notes and Holding Company pays 4% interest on unpaid balance. 'It appears therefore that the notes given by the Holding Company are accommodation notes and the real estate for which they are purported to have been given in reality is an asset of the Citizens & Southern National Bank instead of the Citizens & Southern Holding Company.'

5. Inadequate credit data.
6. Several parcels of other real estate carried beyond statutory period.
7. Regular depreciation not taken on all banking houses and furniture and fixtures.
8. Large loans to three fertilizer concerns and related interests.
9. Large loans to or for the benefit of former affiliates and affiliated interests.
10. The reports of examinations of the bank in the past have called attention to the domination of the group by Chairman of the Board Lane and have indicated that the organization needed a 'strong Officer at this office (Savannah) to strengthen Officially' as the other officers had not developed and appeared to be weak. Major criticisms have been directed at the policies and practices of the management. The files and information available to the Board reveal that the officials of the bank have not been inclined to cooperate with the recommendations and suggestions made by your office and by your examiners and have disputed the classification of assets as estimated losses in numerous instances. It was indicated by your

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"examiner in his report as of July 25, 1934, that certain executive officers derived substantial profits from their investment in 'operative stock' of Citizens and Southern Company apparently at the ultimate expense of the bank and to shareholders whose investment in the securities company proved unprofitable. It also appears that it was the former policy of the bank to purchase securities for trust investments almost exclusively from Citizens and Southern Company (which has since discontinued business) resulting in the holding of many undesirable, and in some instances illegal, trust investments. It was reported that Citizens and Southern Holding Company had suffered considerably because of excessive prices paid for stock acquired in affiliated banks and heavy assessments levied to place the banks in satisfactory condition. The major part of the funds for the payment of assessments was furnished by the bank in the form of loans to the company thereby increasing an already excessive loan. It has been stated that the management had 'leaned' to large profits, and had not required borrowers to curtail obligations on many large lines, and 'consequently they have suffered large losses in the past, and are now carrying large slow, frozen and doubtful loans in their portfolio.' Criticism has also been directed in the past to the fact that the bank carried loans to its officers and employees secured by the bank's own stock, the sale of which had in some instances been accomplished under 'high pressure sales methods.'

Albany Exchange National Bank

1. Large amount of slow and frozen loans.
2. Statutory bad debts and other overdue paper.
3. Certain officers, directors, employees and their interests heavily indebted to bank.
4. Three excessive lines which 'will in all probability prove a menace to the bank.'
5. Items carried in loans and discounts which should be carried as Other Real Estate.
6. Thirteen parcels of Other Real Estate 'carried beyond five-year period allowed by law.'

(The report showed large aggregate investment in banking house, furniture and fixtures, and other real estate.)

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"In view of these criticisms and the Board's responsibility under the law for determining the question whether at this time to grant or withhold general voting permits to these applicants, the Board requests that you inform it at your earliest convenience:

1. As to the effect, in your judgment based upon your examinations, upon the subsidiary national banks in question of the relations growing out of the ownership or control of the stock of said national banks by their holding company affiliates.
2. Whether, as the result of conclusions which you may have formed as to the effect of such relations, you have any suggestions to offer as to the advisability of granting the permits.
3. What suggestions or recommendations you have made or contemplate making, with regard to the criticized matters referred to above, and what progress is being made toward the removal of the causes of said criticisms."

After reaching the conclusion, as recommended in a memorandum attached to the file from Mr. Baumann, Assistant Counsel, dated November 12, 1935, that "The Citizens and Southern National Bank" and "Citizens and Southern Holding Company" are engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, the letter was approved unanimously.

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

"In connection with its consideration of the application of the 'First National Corporation of Breckenridge', Breckenridge, Minnesota, for a voting permit entitling such corporation to vote the stock which it owns or controls of 'The First National Bank of Breckenridge', Breckenridge, Minnesota, 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

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"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 "First National Corporation of Breckenridge", Breckenridge, Minnesota, 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 Breckenridge', Breckenridge, Minnesota.

"The Board understands that your corporation owns 436-1/5 of the 500 outstanding shares of common stock of The First National Bank of Breckenridge but does not own or control any of the 1,850 shares of preferred stock recently issued by the bank or any other bank stock; that your corporation was organized for the purpose of taking over sub-standard assets of the bank; that it was organized with a paid-in capital and did not then own or intend to purchase any of the stock of the bank; that in order to eliminate the necessity of an assessment against the stockholders of the bank such stockholders were asked to subscribe for stock of your corporation in the amount of the necessary assessment; that a majority of the stockholders were unable to do this and your corporation borrowed money to remove sub-standard assets from the bank under an arrangement whereby the stock of the bank and your corporation owned by such stockholders was transferred to your corporation; that your corporation was not organized and is not operated for the purpose of managing or controlling banks and that the stock of The First National Bank of Breckenridge is not held for such purpose.

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"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 Breckenridge 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 of the 'Commercial National Bank in Shreveport', Shreveport, Louisiana, for a voting permit entitling such bank to vote the stock which it owns or controls of the 'Continental-American Bank and Trust Company', Shreveport, Louisiana, the

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"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 "Commercial National Bank in  
Shreveport", Shreveport, Louisiana, read-  
ing as follows:

"This refers to the application of your bank for a voting permit entitling it to vote the stock which it owns or controls of the 'Continental-American Bank and Trust Company', Shreveport, Louisiana.

"The Board understands that your bank is engaged in the general banking business and was organized and is operated for that purpose; that your bank owns or controls  $3,831\frac{5}{6}$  of the 7,000 outstanding shares of stock of the Continental-American Bank and Trust Company; that  $1008\frac{1}{2}$  shares of such stock are owned by your bank and  $2,823\frac{1}{3}$  shares are held for the benefit of your bank and subject to its control by a trustee as security for a liquidation note of your predecessor bank, The Commercial National Bank of Shreveport; that on October 16, 1935, the stockholders of the Continental-American Bank and Trust Company approved the issuance of 2,500 shares of preferred stock to be exchanged for \$250,000 of capital debentures owned by the Reconstruction Finance Corporation; that upon the consummation of such exchange, your bank will

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"own approximately 40 per cent of the outstanding stock of the subsidiary bank; that the assets of your bank are approximately twice as large as those of the Continental-American Bank and Trust Company, its sole subsidiary bank; that your bank holds among its investments one-tenth of 1 per cent of the stock of the First National Bank of Shreveport, Shreveport, Louisiana; that only a relatively small portion of the assets of your bank is invested in bank stock; and that your bank 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 bank 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 bank to obtain a voting permit in order to vote the stock which it owns or controls of the Continental-American 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 bank acquires control over any other bank, or the character of the business of your bank, 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."

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Letter to Mr. I. R. Edmands, Brookline, Massachusetts, reading as follows:

"Your letter of October 30, relating to margin requirements and addressed to the Chairman of the Securities and Exchange Commission, has been referred to the Board by the Director of the Trading and Exchange Division of the Commission.

"This letter has been submitted to the Board, and referred to the Division of Security Loans for further consideration in connection with the continuing study of the subject that is being made by the staff."

Approved unanimously.

Letter to Mr. Fred L. Garlock, Madison, Wisconsin, reading as follows:

"In response to your letter of November 2, the Board has requested the Federal Reserve Bank of Chicago and the Federal Reserve Bank of Minneapolis to make available to you such information as you may require in your study of bank suspensions in the State of Wisconsin, with the understanding that in using the information obtained you will not give the name of a specific bank and will treat the matter in a manner similar to that of your study of bank failures in Arkansas."

Approved unanimously, together with a letter to Messrs. Stevens and Peyton, Federal Reserve Agents at the Federal Reserve Banks of Chicago and Minneapolis, respectively, reading as follows:

"Mr. Fred L. Garlock, Senior Agricultural Economist of the Bureau of Agricultural Economics, Department of Agriculture, is to engage in the making of a study of bank failures in the State of Wisconsin. Recently in making a similar study of bank suspensions in Utah, it was found that the Chief National Bank Examiner's office, although authorized by the Comptroller of the Currency to cooperate with Mr. Garlock and make available such information as he should require, did not have data on file for back periods and arrangements were made with the Federal Reserve Bank of San Francisco to permit him to obtain such data from the records of the Federal Reserve Bank.

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"The Board will appreciate your making available to Mr. Garlock such information as you may have on file pertinent to the study he is now making of bank suspensions in Wisconsin, including earnings and dividends reports and examination reports, exclusive of confidential sections thereof, pertaining to both failed and going banks. It is understood, of course, that in using the information Mr. Garlock will not give the name of a specific bank and will treat the subject in a manner similar to that of his study of bank failures in Arkansas, with which study the Board is familiar.

"It is understood informally from the Comptroller's office that in case permission is requested authorization will be given to the Chief National Bank Examiner to cooperate with Mr. Garlock."

Memorandum dated November 15, 1935 from Mr. Wyatt, General Counsel, stating that on November 12 one of the attorneys for The National City Bank of New York, New York, New York, had called him on the telephone and advised that there was set for argument in the Supreme Court of the United States on November 18, a case involving the right of the Philippine Government to tax the branches of The National City Bank of New York located in the Philippine Islands; that attorneys for the Philippine Government had argued that such branches were not branches of a national bank because the Board had exceeded its authority in granting The National City Bank of New York permission to establish such branches; and that, therefore, the question arose whether the Board should file a brief as friend of the Court for the purpose of defending the legality of its action in granting The National City Bank of New York permission to establish branches in the Philippine Islands. The memorandum also stated that after examining the records and the briefs in the case and discussing the matter with the Solicitor General of the United States and with Messrs. Hamlin and Thomas, it was Mr. Wyatt's

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opinion that the matter was not of sufficient importance to the Board to render the filing of a brief by the Board necessary or advisable, and that it was recommended that the Board not file such a brief.

Approved unanimously.

Letter to Mr. Clerk, Deputy Governor of the Federal Reserve Bank of San Francisco, reading as follows:

"Upon receipt of your letter of October 18, we took up informally with the Federal Deposit Insurance Corporation the question of what rulings the corporation had issued with respect to drafts drawn upon Federal Reserve banks and letters of advice by member banks directing Federal Reserve banks to charge the member banks' reserve accounts in settlement of cash letters.

"The ruling that an outstanding draft, whether drawn upon a Federal Reserve bank or any other bank, constitutes a deposit for the purpose of determining insurance assessments is a part of Federal Deposit Insurance Corporation Regulation I, a copy of which is inclosed. It is understood informally that the corporation has advised at least one bank individually that a letter of advice by a member bank directing its Federal Reserve bank to charge the member bank's reserve account in settlement of cash letters is not a deposit, but that no general ruling on the subject has been issued. It is further understood that the corporation is reviewing the matter, and we have written the corporation a letter asking it to advise the Board of such decisions as it may have reached with respect to whether advices of country banks directing charges to their accounts in settlement of cash letters are deposits."

Approved unanimously, together with a letter to Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, in accordance with the letter to Mr. Clerk.

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

"This refers to Assistant Attorney General Keenan's letter

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"of August 16, 1935, regarding the procedure to be followed in reporting apparent violations of the criminal provisions of the banking laws of the United States.

"The Board has noted the suggestions that instructions be issued to all member banks of the Federal Reserve System that criminal irregularities should be promptly reported to the United States Attorney in the district in which the bank is located, and that special reports of such matters may also be made to the Board by the member banks in which they occur. As you know, under the present practice, Federal Reserve agents report the facts in all cases of apparent violations of section 22 of the Federal Reserve Act and sections 5208 and 5209 of the Revised Statutes coming to their attention to the local United States Attorney and also to the Board which, in turn, reports the matter to your Department. However, if you desire member banks to report apparent violations of the criminal provisions of the banking laws directly to the local United States Attorney, the Board will appreciate advice as to your wishes with respect to whether a Federal Reserve agent should also report such violations to the local United States Attorney when it is clear that they have already been so reported, and also as to whether in such a case you desire any reports to be forwarded to the Board by the agent for transmittal to the Department of Justice. 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 to the local United States Attorney and a copy of such report be forwarded to you, but advice on this point will also be appreciated.

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

"Inasmuch as the Comptroller of the Currency exercises general supervision over national banking associations, the Board will undertake to advise only State member banks regarding this matter and in this connection it is noted that you have already taken up with the Comptroller of the Currency the procedure to be followed in reporting apparent violations of the banking laws involving national banks."

Approved unanimously.

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

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"This refers to your letter of October 25, 1935, suggesting an amendment to section 5155 of the Revised Statutes which would permit a national bank having a capital of not less than \$200,000, to establish and operate new branches within the county in which it is located or within a radius of twenty-five miles, regardless of the population of the State in which the bank is located or of cities in that State.

"As indicating the need for such an amendment, you point out that several nonmember State banks in California, which are operating one or more branches within the county or within a small trade area, in order to become members of the Federal Reserve System must either give up their branches, if established subsequent to February 25, 1927, or increase their capital to an amount out of proportion to their deposits and the volume of business transacted by them.

"The amendment suggested by you has been noted and will be given further consideration when a favorable opportunity occurs for suggesting to Congress further amendments to the law."

Approved unanimously.

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

"Consideration has been given to the status of Mr. J. R. Einstein under the provisions of the Clayton Act, referred to in your letters of October 1 and October 2, 1935. It appears that Mr. Einstein was granted a permit on September 18, 1934, to serve as director and officer of The Merchants National Bank of Kittanning and as director of The Armstrong County Trust Company, both of Kittanning, Pennsylvania; that he subsequently filed an application for an amended permit covering his service as officer also of the trust company; that this additional application was denied by the Board on April 30, 1935, pursuant to its general policy set forth in its letter of January 9, 1935 (X-9082), in view of the fact that the banks were in competition; that Mr. Einstein thereupon resigned as officer of the national bank, apparently believing that such action would bring his relationships into conformity with the requirements of the statute; that he subsequently resigned as officer of the trust company, and, on June 4, 1935, was re-elected an officer of the national bank.

"In view of the fact that you feel that Mr. Einstein's resignation as officer of the national bank was the result

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"of a misunderstanding on his part, and in view of the local situation in Kittanning, which you feel makes it desirable to permit Mr. Einstein to continue to serve the two institutions, you suggest that the Board's ruling published at page 28 of the Federal Reserve Bulletin for January 1925 should not be deemed applicable in this case and that Mr. Einstein's permit, in so far as it covers his service as officer of the national bank, should be deemed to cover such service after his re-election. If this conclusion is reached, Mr. Einstein would, of course, have been 'lawfully serving' as an officer of the national bank on the date of the enactment of the Banking Act of 1935 and would not be prohibited from continuing such service until February 1, 1939.

"Although the Board does not believe that the ruling referred to above should be modified, there appears to be no reason to differ with your opinion that that ruling should not be regarded as applicable in the present case in view of the fact that Mr. Einstein's resignation appears to have been purely a result of a misunderstanding on his part and in view of the fact that he was reelected an officer of the national bank at the next regular meeting, less than a month after his resignation.

"It follows that Mr. Einstein may lawfully continue until February 1, 1939 to serve in the relationships covered by the permit issued to him on September 18, 1934."

Approved unanimously.

Thereupon the meeting adjourned.

Wesley M. Moore  
Secretary.

Approved:

J. J. Lawrence  
Vice Chairman.