

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, November 19, 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:

Renewal bond in the amount of \$50,000, executed on November 12, 1935, by Mr. Robert L. Shepherd as Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond.

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 'Rahway Trust Company', Rahway, New Jersey, for a voting permit entitling it to vote the stock which it owns or controls of 'The Rahway National Bank', Rahway, 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

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"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 the "Rahway Trust Company",  
Rahway, 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 Rahway National Bank', Rahway, New Jersey.

"The Board understands that your company is engaged in the trust business and in the business of general commercial banking and was organized and is operated for such purposes; that your company owns 1,875 of the 2,500 outstanding shares of stock of 'The Rahway National Bank', Rahway, New Jersey, but does not hold a significant portion of the stock of, or manage or control, any other bank; that the stock of the subsidiary bank constitutes approximately one-sixth of your company's assets; that your company holds such stock as an investment; and that your company was not organized and is not operated for the purpose of managing or controlling banks.

"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 section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, 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 Rahway 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 facts should at any time differ from those stated above to an extent which would indicate that your company 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

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Reserve Bank of Chicago, reading as follows:

"In connection with its consideration of the application of 'Riley Corporation', East Chicago, Indiana, for a voting permit entitling it to vote the stock which it owns or controls of 'The First National Bank in East Chicago' and 'The Union National Bank of Indiana Harbor at East Chicago', both of East Chicago, Indiana, 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 the "Riley Corporation", East  
Chicago, Indiana, 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 in East Chicago' and 'The Union National Bank of Indiana Harbor at East Chicago', both of East Chicago, Indiana.

"The Board understands that your corporation owns 1,460 of the 2,000 outstanding shares of stock of 'The First National Bank in East Chicago' and of 'The Union National Bank of Indiana Harbor at East Chicago', but does not hold stock of, or manage or control, any other bank; that in 1931 certain industrial interests of East Chicago undertook to finance the organization of such banks to assume the deposit liabilities of three other banks of that city which were in difficulties; that as a part of such plan your corporation was reorganized and the principal stockholder of your corporation, who was also the principal stockholder of the old banks, conveyed certain assets to your corporation; that the industrial interests loaned approximately \$300,000 to your corporation to purchase stock of the new banks; that, then and subsequently, such interests made other extensive

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"advances of credit to your corporation, amounting to approximately \$2,000,000, to remove undesirable assets from the banks (partly in connection with the assumption of the deposit liabilities of a fourth bank by the new banks); that substantially all of the assets of your corporation were acquired in connection with such plans; that substantially all of the assets of your corporation, including the stock of the subsidiary banks, are pledged to secure the loans and other advances of credit made by the industrial interests; and that your corporation now exists merely as an incident to such plans and is not operated for the purpose of managing or controlling banks.

"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 section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, 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 corporation to obtain a voting permit in order to vote the stock which it owns or controls of The First National Bank in East Chicago and The Union National Bank of Indiana Harbor at East Chicago 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 facts should at any time otherwise differ from those stated herein to an extent which would indicate that your corporation 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. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"In connection with its consideration of the application of the 'Tustin Investment Company', Tustin, California, for a voting permit entitling such company to vote the stock which it owns or controls of 'The First National Bank of Tustin', Tustin, California, 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

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"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 "Tustin Investment Company",  
Tustin, California, 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 First National Bank of Tustin', Tustin, California.

"The Board understands that your company owns 252 of the 500 outstanding shares of the stock of The First National Bank of Tustin but does not hold the stock of, or manage or control, any other bank; that your company was organized by stockholders of The First National Bank of Tustin for the purpose of unifying control of a majority of the stock of such bank in order to prevent a chain bank organization from obtaining control; that the only stock issued by your corporation was exchanged share for share for 250 shares of the stock of such bank; that your company purchased 2 shares of the stock of such bank; that all dividends received on the bank stock which was acquired in exchange for stock of your company have been paid over to your stockholders; and that, with the exception of a small amount of loan business conducted with borrowed funds for the purpose of earning operating expenses, your company has performed no function other than that commonly performed by a voting trust.

"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 section 2(c) of the Banking Act of 1933, as amended by section 301 of the Banking Act of 1935, and, therefore, is not a holding company affiliate for any purposes other

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"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 First National Bank of Tustin, 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."

Memorandum dated November 18, 1935, from Mr. Carpenter, Assistant Secretary, stating that, in connection with the proposed hearing to be held on November 22, 1935, of Mr. A. P. Giannini with regard to tentative conditions in connection with the granting of a general voting permit to Transamerica Corporation, San Francisco, California, Mr. Hamlin had suggested that a verbatim record be made of the hearing and, in accordance with that suggestion, he had communicated with the firm of Hart & Dice, shorthand reporters, and had ascertained that Mr. Gregor Macpherson, who made stenographic records of proceedings of the Board in 1933 and 1934 and whose services in that capacity were found to be very satisfactory, would be available to make a record of the hearing. The memorandum also stated that the charge for the service would be at the rate of 25¢ per hundred words for the original copy; the cost of additional copies to depend upon the number ordered. The memorandum recommended that the firm of Hart & Dice be engaged to make a record of the hearing on Friday, November 22, 1935, with the understanding that

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Mr. Gregor Macpherson would be assigned by the firm to make the stenographic record.

Approved unanimously.

Letter to Mr. C. S. Bauman, Vice President, American Bank & Trust Company, New Orleans, Louisiana, reading as follows:

"Receipt is acknowledged of your letter of November 12, 1935, with regard to the appointment of Mr. Legier as a director of the New Orleans branch of the Federal Reserve Bank of Atlanta.

"As you know, there are seven directors of the New Orleans branch, four of whom are appointed by the board of directors of the Federal Reserve Bank of Atlanta and three by the Board of Governors of the Federal Reserve System. The regulations issued by the Board with regard to the appointment of directors of branches contemplate that the directors appointed by the Federal reserve bank shall be persons who are either well qualified or experienced in banking or actively engaged in agriculture, industry or commerce, and that directors appointed by the Board of Governors of the Federal Reserve System shall be persons who are actively engaged in agriculture, industry, or commerce and who are not primarily engaged in banking.

"In these circumstances, it would appear that the question of the appointment of Mr. Legier as a director of the New Orleans branch is one primarily for the consideration of the board of directors of the Federal Reserve Bank of Atlanta. Therefore, the Board has requested that, in the absence of a chairman at the bank, your letter be brought to the attention of Mr. W. H. Kettig, Deputy Chairman, and a copy is being forwarded to him today."

Approved unanimously.

Letter to Mrs. Marion G. Banister, Assistant Treasurer of the United States, reading as follows:

"Receipt is acknowledged of your letter of November 7, 1935, with respect to Check No. 12319, dated February 27, 1928, for \$102.00, drawn on the Treasurer of the United States by C. Dawson, symbol 99-113, to the order of William Thompson, which has been referred to your office for reclamation of payment on account of fraudulent indorsement of payee named. You refer to the acquisition by The Central Trust Company, Cincinnati, Ohio, of the assets and liabilities of

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"The Brighton Bank and Trust Company, Cincinnati, Ohio, and ask whether under the purchase agreement the successor bank is liable on the check in question inasmuch as the indorsement on such check was guaranteed by The Brighton Bank and Trust Company, City Hall Branch.

"The Board's records show that as of December 22, 1930, The Central Trust Company purchased the assets and assumed the liabilities of The Brighton Bank and Trust Company. The Board is unable, however, to express an opinion as to the legal liability of The Central Trust Company in regard to the check in question, and it is suggested that the matter be taken up with the Superintendent of Banks for the State of Ohio, at Columbus, Ohio."

Approved unanimously.

Thereupon the meeting adjourned.

Orville Morice  
Secretary.

Approved:

W. S. Seales  
Chairman.