A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 15, 1936, 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

Consideration was given to each of the matters hereinafter referred to and the action stated with respect thereto was taken by the Board:

Letter to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, stating that the Board approves the establishment without change by the bank on January 13, 1936, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Memorandum dated January 13, 1936, containing a recommendation from Mr. Goldenweiser, Director of the Division of Research and Statistics, that the salary of Jesse Smith, messenger assigned to that division, be increased to the rate of $1,320 per annum, in order that his salary might be on a parity with the salaries of other messengers who were granted increases in salary as of January 1, 1936.

Approved unanimously, effective as of January 16, 1936.

Memorandum dated January 9, 1936, from Mr. James submitting a letter dated January 3, from Mr. Larson, Assistant Cashier of the Federal Reserve Bank of Minneapolis, which requested approval of changes in the personnel classification plan of the Helena branch of the bank to provide for increases in the salary ranges for the positions of "clerk" in the Country Checks Division, and "Telephone Operator and Miscellaneous Clerk" in the General Service, Noncash Collection, Currency and Coin Department. The memorandum stated that the proposed changes had been reviewed, and recommended that they be approved.

Approved unanimously.

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

> "The Board of Governors of the Federal Reserve System has received your letter of January 9, 1936, and approves the reappointment by the board of directors of the Federal Reserve Bank of Boston of Messrs. Robert Amory, Winthrop L. Carter, Albert M. Creighton, Carl P. Dennett, and Edward M. Graham as members of the Industrial Advisory Committee of the First Federal Reserve District, each for a term of one year from March 1, 1936. It is assumed that each of these gentlemen is still actively engaged in some industrial pursuit within the First Federal Reserve District.
>
> "In this connection, it will be appreciated if you will advise whether Mr. Creighton will continue as Chairman of the committee."

Approved unanimously.

Letter to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, prepared in accordance with the action taken at the meeting of the Board on January 4, 1936, and reading as follows:

"Reference is made to your letter of November 1, 1935, regarding the condition of the 'Integrity Trust Company', Philadelphia, Pennsylvania, as reflected by the report of examination as of April 27, 1935, made by your examiners, and your recommendation that the Board authorize you to withdraw the report and arrange for another examination of the bank some time in the next three or four months.

"It has been noted that, notwithstanding the capital rehabilitation program which was effected in May 1934 and which included the sale of $4,000,000 'A' preferred stock to the Reconstruction Finance Corporation and $3,000,000 'B' preferred stock to the local associated banks which had previously assisted the institution, the report of examination as of April 27, 1935 indicates an unsatisfactory condition with an amount of disallowed assets sufficient to impair seriously the 'B' preferred stock. You have stated that a meeting to discuss the situation and to formulate a plan for elimination of depreciation and estimated losses was held October 9, 1935 and that Dr. Harr, Secretary of Banking, presided at the meeting which was attended by officers and directors of the trust company, representatives of your office, and representatives of the Reconstruction Finance Corporation and the Federal Deposit Insurance Corporation. You have reported that the directors representing the associated banks supporting the trust company are opposed to any further capital adjustments at this time as they feel that such action would destroy the company; that they disagree with certain of the examiners' classifications, particularly valuations of bank premises and certain other assets based on real estate; that they do not wish to continue to serve as directors and continue the operations of the trust company when they have in their possession reports from two supervisory authorities reflecting a serious capital impairment; and that, in view of all of the circumstances, the Secretary of Banking and you withdrew your reports of examination with the expectation of making another examination within the next few months, at which time the directors hope that it will be possible to arrive at a valuation of the disputed assets which is sound and proper and which can be accepted by them. It has been noted that you have stated that any action taken by you regarding the report would have to be unobjectionable to the Board.

"The Board is not unmindful of the interest which the local associated banks have displayed in the affairs of the Integrity Trust Company and the steps which they have taken through the purchase of capital stock, the deposit of funds,

"and the strengthening of the management of the bank, to assist the institution in working out of its difficulties. The Board has noted, also, that the report of examination of the bank as of April 27, 1935, reflects a net sound capital equal to approximately 10 per cent of deposits; that the present management is regarded as competent and working diligently to improve the unsatisfactory condition of the bank; and that the unsatisfactory assets are not the result of the current operations of the bank but the result of policies of the former management.

"The Board feels as a matter of policy that it would not be justified in approving the withdrawal of the report of examination either in this case or in any other similar case, and, in view of the circumstances, requests that another examination of the bank, on the basis of which appropriate action may be taken, be made as soon as practicable, preferably in cooperation with the State Banking Department."

Approved unanimously.

Letter to "The First National Bank of Selins Grove", Selins Grove, Pennsylvania, reading as follows:

"This refers to the resolution adopted on June 8, 1934, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Board of Governors of the Federal Reserve System understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers

"covered by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System.

"It will be noted that the inclosed certificate which the undersigned has executed bears the seal containing the inscription 'Federal Reserve Board', while the certificate itself contains reference to the Board of Governors of the Federal Reserve System. The name of the Federal Reserve Board was changed to the Board of Governors of the Federal Reserve System by the provisions of section 203(a) of the Banking Act of 1935, approved August 23, 1935; however, until the adoption of a new seal the Board will continue to use the old seal as its official seal."

Approved unanimously.

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

"This refers to the report of examination of the 'Manufacturers Trust Company', New York, New York, made as of April 26, 1935, and to Mr. Dillistin's letter of September 11, 1935, with particular reference to the purchase by the trust company of shares of stock of certain German corporations. As, of course, you know, the provisions of section 9 of the Federal Reserve Act and section 5136 of the Revised Statutes prohibit a member bank, with certain exceptions not here applicable, from purchasing for its own account shares of stock of corporations.

"It is understood that the purchase of the stocks in question is part of a plan for realizing as much as possible upon the bank's credits and funds in Germany which are subject to the restrictions and prohibitions of the 'German Standstill Agreement' regarding repayment of such credits and transfer of funds from Germany.

"The Board has noted the opinion of counsel for the trust company and also Mr. Dillistin's statement that the purchase and holding of the stock in question may properly be considered a salvage transaction and as such should not be deemed to constitute a violation of section 9 of the Federal Reserve Act and section 5136 of the Revised Statutes. In view of all the circumstances involved, the Board will not at this time raise any question as to whether the transaction constitutes a violation of section 9 of the Federal Reserve Act and section 5136 of the Revised Statutes. However, it is assumed that the stock

"will be disposed of by the Manufacturers Trust Company as soon as reasonably practicable, and the Board feels that this should be done. You are, accordingly, requested to advise the Manufacturers Trust Company of the Board's position in the matter."

Approved unanimously.

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

"There is inclosed herewith a copy of a letter, with inclosure, from the President of The First National Bank of Bloomingdale, New Jersey, dated November 20, 1935, regarding the payment of interest on deposits of funds of the State of New Jersey, which has been referred to the Board of Governots of the Federal Reserve System by the Comptroller of the Currency.

"In accordance with the procedure set forth in the Board's letter of August 22, 1933, (X-7558), it is requested that you submit to counsel for your bank the question whether the payment of interest is required under State law with respect to the funds here in question and that you advise The First National Bank of Bloomingdale, New Jersey, in accordance with counsel's opinion in this matter, unless there appears to be doubt as to the proper interpretation to be placed upon the State law and it is considered advisable to present the matter to the Board of Governors. If this question is submitted to the Board, it will be appreciated if you will furnish the Board copies of all pertinent provisions of the State law, a copy of an opinion of counsel for the Federal Reserve Bank discussing all aspects of the question fully and in detail, and a copy of an opinion on the question rendered by the Attorney General or other State official having similar authority, together with any other information which may be relevant.

"The Board requests that you furnish it with a copy of any opinion which counsel for the Federal Reserve Bank may render in connection with this matter, even though it is not considered necessary to present the matter to the Board of Governors for a ruling.

"Inasmuch as similar questions involving the same law may be presented to the Federal Reserve Bank of Philadelphia, and, in view of the desirability of securing uniform rulings in this matter, it is suggested that you confer with the Federal Reserve Bank of Philadelphia before advising The First National Bank of Bloomingdale, New Jersey, of your opinion

"in the premises.

"In view of the established procedure in connection with questions of this kind, as above outlined, the Board has not undertaken to determine the question presented, but it may be said that upon the basis merely of the statutory provisions quoted in the inclosed copy of opinion of counsel for the New Jersey Bankers' Association it is not apparent that the payment of interest is required under State law with respect to deposits of public moneys of the State of New Jersey."

Approved unanimously, together with a letter to Mr. Oscar T. Storch, President, The First National Bank of Bloomingdale, New Jersey, reading as follows:

"Your letter of November 20, 1935, addressed to the Comptroller of the Currency, relative to the payment of interest on deposits of funds of the State of New Jersey, has been referred to the Board of Governors of the Federal Reserve System for reply.

"It does not appear that the Board has ruled on the specific question which you present and, inasmuch as your inquiry involves a question of local law, it has been referred to the Federal Reserve Agent at the Federal Reserve Bank of New York for consideration and reply in accordance with the Board's usual practice in such cases."

Letter to Mr. Frank Warner, Secretary of the Iowa Bankers Association, Des Moines, Iowa, reading as follows:

"This refers to your letter dated December 30, 1935, presenting certain questions regarding the payment of interest on deposits by member banks of the Federal Reserve System.

"You refer to the fact that the Banking Board of the State of New York prescribed a maximum rate of interest of 2 per cent per annum payable by State banks and trust companies in New York on time and savings deposits after October 1, 1935, and you ask whether such order had the effect of limiting to 2 per cent per annum the maximum rate of interest payable by member banks in New York on Postal Savings deposits, in view of the section of the Postal Savings Act which states that deposits of Postal Savings funds in banks shall bear interest at a rate of not less than 2¼ per cent per annum.

"Pursuant to the provisions of section 24 of the Federal Reserve Act and section 3(c) of Regulation Q, the Board of Governors notified member banks in New York that the maximum

"rate of interest payable by them on time and savings deposits after October 1, 1935, was 2 per cent per annum. The Board of Governors was advised by the State Banking Board that it interpreted its order as applying to Postal Savings deposits as well as to other time and savings deposits, and, accordingly, the Board of Governors expressed the view that deposits of Postal Savings funds in member banks located in New York are subject to the reduced maximum rate of 2 per cent per annum after October 1, 1935, to the same extent as other time and savings deposits. The Board of Governors has not been advised of any ruling by the Attorney General of the United States on this subject.

"You also present the question whether the Board would issue a notice similar to the notice given to member banks in New York if the Iowa State Banking Board should prescribe a maximum interest rate of 2 per cent on time deposits in banks incorporated under the laws of the State of Iowa. The action of the Board in the case of member banks located in New York was taken pursuant to section 3(c) of Regulation Q, and section 24 of the Federal Reserve Act. Section 24 provides that the rate of interest which a national banking association may pay upon time deposits or upon savings or other deposits shall not exceed the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such association is located. If the Iowa State Banking Board, pursuant to authority conferred upon it by law, should prescribe a maximum rate of interest on deposits, such as you suggest, applicable to all State banks or trust companies in Iowa, including mutual savings banks, the Board would presumably notify member banks in Iowa that they were subject to the reduced maximum rate prescribed by such order.

"Of course, it is impossible to state definitely just what action would be taken with regard to any praticular order until the Board has an opportunity to examine the order. If the Iowa State Banking Board issues such an order, it should notify the Federal Reserve Bank of Chicago immediately upon the issuance of such order and should furnish it with copies thereof.

"The Board has been glad to answer numerous inquiries received from your association in the past regarding interpretations of the Board's regulations and other similar matters, but the more usual course of procedure is for such inquiries to be addressed to the Federal Reserve bank of the district in which the inquiries arise. In most cases, the Federal Reserve bank will be able to answer such questions without the necessity of submitting them to the Board. Accordingly, it will be appreciated if you will address future inquiries to

"the Federal Reserve Bank of Chicago, which will be glad either to answer such inquiries or to submit them to the Board for further consideration."

Approved unanimously.

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

"This refers to your letter dated January 2, 1936, presenting the question whether a deposit of funds of an individual which are used in his business may be classified as a savings deposit within the definition contained in section 1(e) of Regulation Q. A copy of Mr. Ueland's opinion stating that he thought the question was close enough and important enough to be submitted to the Board for a ruling was inclosed with your letter.

"You state that a member bank has asked whether a deposit of an individual consisting of funds which are used in his business, as for example, the funds of John Smith doing business as Smith and Company, may be classified as a savings deposit. It is the view of the Board that deposits of funds of an individual which are used in his business may be classified as savings deposits provided such deposits comply with the other provisions of the definition contained in section 1(e) of Regulation Q.

"Prior to the issuance of Regulation Q, careful thought was given to this question and it was decided that it would be impracticable to attempt to distinguish between the funds of an individual which are used in his business and other funds of the individual. It was thought, however, that a distinction could properly be made between deposits of the funds of an individual and funds of a partnership in which he is a partner. Accordingly, footnote 4 of Regulation Q provides that a deposit of a partnership operated for profit may not be classified as a savings deposit."

Approved unanimously.

Letter to Mr. Harold Ray, Executive Vice President, The First-Mechanics National Bank of Trenton, Trenton, New Jersey, reading as follows:

"This refers to your letter of December 28, 1935, regard-

"ing the payment of interest on savings deposits under the provisions of the supplement to the Board's Regulation Q, effective January 1, 1936.

"Under section (1) of the supplement to Regulation Q, no member bank may lawfully pay interest on any savings deposit accruing after January 31, 1935, at a rate in excess of 2½ per cent per annum, compounded quarterly, regardless of the basis upon which such interest may be computed. It is the view of the Board that if a deposit conforms to the definition of a savings deposit contained in section 1(e) of the Board's Regulation Q, interest may lawfully be paid thereon at a rate not in excess of the maximum rate above prescribed, notwithstanding the fact that the funds contained in such deposit have actually been on deposit with the bank for a period of less than three months. Likewise, a member bank is not prohibited from paying interest on a savings account which has been closed between the bank's regular semianmual interest periods. In either case, however, the amount of interest actually paid on any savings deposit, accruing after January 31, 1935, may not exceed 2½ per cent per annum, when compounded quarterly, for the period during which the deposit actually constituted a savings deposit as defined in Regulation Q.

"If you have any further question regarding this matter or any similar matter, it will be appreciated if you will communicate with the Federal Reserve Bank of Philadelphia, which will be glad to advise you with respect to any such matters."

Approved unanimously.

Letter to Mr. W. R. McQuaid, President, The Barnett National Bank of Jacksonville, Jacksonville, Florida, reading as follows:

"This refers to your letter dated December 17, 1935, in which you ask to be advised whether deposits of credit unions or citrus growers associations may be classified as savings deposits within the definition contained in section 1(e) of Regulation Q.

"You state that credit unions are formed, usually within an industry or business, primarily for the purpose of affording their members a place where they can borrow money in small amounts at a reasonable rate of interest. You also state that citrus growers associations are composed of citrus growers and that such associations usually own a packing house and pick and pack the fruit from the crops of their members for a charge fixed at the beginning of the season.

"Without regard to the question whether credit unions or citrus growers associations are operated for profit, the Board is of the opinion that such organizations are not operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes, and, therefore, deposits maintained by them may not be classified as savings deposits within the definition contained in section 1(e) of Regulation Q.

"If you have any further questions regarding this matter or any similar matter, it will be appreciated if you will communicate with the Federal Reserve Bank of Atlanta, which will be glad to answer your inquiries."

Approved unanimously.

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

"This refers to your letter dated January 4, 1936, stating that you have noted in the condition reports submitted by several State member banks in Ohio as of June 30 and November 1, that these banks have been showing public funds under the time classification in Schedule L. You quote a portion of an opinion of the Attorney General of Ohio which may indicate that certain county funds are subject to withdrawal on the check of the treasurer and, therefore, may not be time deposits. Under the circumstances, you ask whether you should advise the State member banks concerned that these items have been incorrectly reported on the call form.

"It is the view of the Board that items should be reported on the call form as demand deposits or time deposits depending upon the contract existing between the bank and the depositor. It is possible, of course, that certain public funds may have been deposited in time deposits contrary to the provisions of the law of Ohio. This question appears to be one of local law and it is suggested that you consult the attorneys for the Federal Reserve Bank of Cleveland regarding the matter. If they should be of the opinion that certain time deposits of member banks consist of public funds which may not lawfully be deposited on time, it is suggested that you bring the matter to the attention of the member banks in question in order that they may give consideration to whether their contracts should be changed to comply with the requirements of the State law."

Approved unanimously.

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

"This refers to your letter of January 2, 1936, with inclosure, regarding a loan made by the First National Bank of Clifton Forge, Clifton Forge, Virginia, to Mr. J. M. Emmett, its vice president, on June 10, 1935. It is understood that the bank wishes to know whether it may, without violating the provisions of section 22(g) of the Federal Reserve Act, continue to carry this loan for Mr. Emmett.

"As you know, the amendment to section 22(g) of the Federal Reserve Act, by the Banking Act of 1935, approved August 23, 1935, eliminated the criminal penalties previously provided for the violation of its provisions and substituted in lieu thereof a provision subjecting an executive officer of a member bank to removal from office in the manner prescribed by section 30 of the Banking Act of 1933. However, it appears that the criminal penalties must be regarded as still in force with respect to acts committed prior to such amendment to section 22(g), in view of the provisions of section 29 of title 1 of the United States Code, which provide as follows:

'The repeal of any statute shall not have the effect to release or extinguish any penalty, forfeiture, or liability incurred under such statute, unless the repealing Act shall so expressly provide, and such statute shall be treated as still remaining in force for the purpose of sustaining any proper action or prosecution for the enforcement of such penalty, forfeiture, or liability.'

In the circumstances, it appears that the answer to the question submitted by the First National Bank of Clifton Forge depends upon whether the loan made by that bank in June, 1935, to its vice president, was in violation of the provisions of section 22(g) of the Federal Reserve Act as it was then in force.

"In construing the provisions of that section prior to its amendment by the Banking Act of 1935, you will recall that the Board took the position that it could not appropriately express an opinion as to who were 'executive officers' within the meaning of its provisions since penalties of fine or imprisonment were provided for violations thereof and since the determination of the question whether a particular case should be prosecuted was a matter entirely within the jurisdiction of the Department of Justice.

"Accordingly, the question whether the loan made by the

"bank to its vice president on June 10, 1935, was a violation of the law must be determined from a consideration of the provisions of section 22(g) as it was then in force. Since the matter involves a national bank, a copy of this letter has been transmitted to the Comptroller of the Currency for such action as he considers advisable."

Approved unanimously, together with a letter to the Comptroller of the Currency, reading as follows:

"There is inclosed, for such action as you may consider advisable, a copy of a letter addressed to the Board from the Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond, dated January 2, 1936, together with a copy of the Board's reply thereto, relating to a loan made by the First National Bank of Clifton Forge, Clifton Forge, Virginia, to one of its vice presidents on June 10, 1935."

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

"This refers to your letter of December 11, 1935, inclosing an opinion of counsel for your bank with regard to a situation where a member bank holds a cash item in the form of a check which, if put through the books of the bank, would thereby cause an overdraft in the account of an executive officer in an amount not in excess of 30 days' advance pay, or not in excess of the salary which has accrued to the executive officer. It is noted that counsel for your bank is of the opinion that the granting of the overdraft would constitute a violation of section 22(g) of the Federal Reserve Act and the Board's Regulation O. You inquire whether the Board is in accord with your counsel's opinion and inquire further whether the opinion would be the same if an actual overdraft had been created in the executive officer's account or if the executive officer in question had substituted his personal note for the amount of the overdraft.

"In section 1(c)(1) of the Board's Regulation O, the terms 'loan', 'loaning', 'extension of credit', and 'extend credit' are defined to include 'any advance by means of an overdraft, cash item, or otherwise;' and, under the second clause of the unnumbered paragraph of section 1(c) it is provided that such terms do not include

'the acquisition by a bank of any check deposited in or delivered to the bank in the usual course of busi-

"'ness unless it results in the granting of an overdraft to or the carrying of a cash item for an executive officer.'

On the other hand, it is provided in such subsection that advances of unearned salary or other unearned compensation for periods not in excess of 30 days and advances against accrued salary or other accrued compensation are not included within the definition of such terms.

"In the question presented, it does not appear that the granting of the overdraft to or the carrying of the cash item for the executive officer has been previously approved by a majority of the entire board of directors of the bank thereby bringing the transaction within the $2500 exception, as provided in section 3(a)(1), or that the executive officer has been advanced any salary, accrued or unaccrued, as such. On the basis of the above facts, the Board is of the opinion that if the bank carries a cash item in the form of a check which, if put through the books of the bank, would cause an overdraft in the account of the executive officer, the carrying of such cash item or the granting of such overdraft, as the case may be, would be a loan or extension of credit as defined in the Board's Regulation O. Likewise the substitution of the personal note of the executive officer for the amount of the cash item or overdraft would be a loan or extension of credit as defined in such regulation. The fact that the executive officer is entitled to compensation which has been earned or accrued or is entitled to an advance of unearned salary for a period not in excess of 30 days, which amounts would be equal to or in excess of the cash item, overdraft, or personal note, would not be sufficient to remove the transaction from the classification of a loan or extension of credit. In other words, the existence of an offset, under the circumstances described above, would not render legitimate a loan or extension of credit which is prohibited."

Approved unanimously.

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

"Consideration has been given to your letter of December 23, 1935, and the inclosed opinion of General Counsel for your bank with respect to the applicability of section 32 of the Banking Act of 1933 to the service of Mr. Henry J. Wheelwright as an officer and director of The Merchants National Bank of Bangor and of Columbia Investment Company, both of Bangor, Maine.

"Mr. Carrick notes that the profits of Columbia Investment Company from participations in syndicate operations, selling groups and selling concessions for the two years ending September 18, 1934 amounted to approximately 22 per cent of the total profits of the company, and he reaches the conclusion, in which you concur, that the company should therefore be regarded as 'primarily engaged' in the business described in section 32.

"He adds that there is no indication that Mr. Wheelwright's relationships have resulted in any of the evils at which section 32 was directed, but that, on the contrary, there are clear indications that his connection with the bank has been of value to the bank and of service to the community. However, as you know, the Board is no longer authorized to issue individual permits under section 32 but can make exceptions only by general regulations.

"After careful consideration, the Board has adopted a revised Regulation R, a copy of which was sent to you with the Board's letter of January 4, 1936 (X-9416). The Regulation provides no exception which is applicable in this case, and therefore, in the light of the available information, the Board sees no reason to differ with your conclusion that the relationships in question are prohibited by section 32. Therefore, unless additional information has come to your attention which you believe should be considered by the Board in this connection, it is suggested that you advise Mr. Wheelwright accordingly."

Approved unanimously.

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

"Consideration has been given to Mr. Hill's letter of December 28, 1935, regarding the applicability of section 32 of the Banking Act of 1933, as amended, to Mr. Pinkney W. Love, who is a director of the First National Bank of Riegelsville, Riegelsville, Pennsylvania, and a dealer in securities under the name of Pinkney W. Love & Company, Easton, Pennsylvania. Mr. Hill inclosed copies of correspondence with Mr. Love and a copy of the opinion of counsel for your bank which reached the conclusion that the relationships are prohibited by section 32.

"It appears from the correspondence with Mr. Love that in connection with all purchases and sales of securities he deals with his customers as a principal, and does not act as

"a broker or agent. In the majority of cases he acts in an advisory capacity, recommending the purchase or sale of securities. In most cases he is allowed a concession by other dealers, and, if not, he charges a commission.

"It also appears that although he has made a practice of not selling new issues to his customers until the securities have reached what he considers a proper price in the market, and has participated in only one syndicate, he intends to participate in underwriting and distributing syndicates in the future if opportunities which he considers proper present themselves, although his letters indicate that the number of such transactions will probably be limited.

"Under the circumstances, the Board sees no reason to differ with the conclusion of counsel for your bank that Mr. Love is 'primarily engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of stocks, bonds, or other similar securities' within the meaning of section 32 and it is suggested that you advise Mr. Love accordingly."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved: M S Eccles
Chairman.