

A meeting of the Federal Reserve Board was held in Washington on Saturday, February 18, 1933, at 11:30 a. m.

PRESENT: Mr. Mills, Chairman
Mr. Meyer, Governor
Mr. Hamlin
Mr. Miller
Mr. James

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

The Board considered and acted upon the following matters:

Letter dated February 16, 1933, from the Secretary of the Federal Reserve Bank of New York, stating that at the meeting of the board of directors on that date no change was made in the bank's existing schedule of rates of discount and purchase, except that the action of the officers, taken after consultation individually with a majority of the directors, in requesting the Federal Reserve Board to reduce to $1/2\%$ the rate established by it as the minimum buying rate for purchases of bankers' acceptances by the bank, was ratified, and the rate of $1/2\%$ was established by the directors as the minimum authorized buying rate. The letter also stated that, following approval by the Federal Reserve Board of the minimum buying rate of $1/2\%$, the following schedule of effective buying rates had been established at the bank:

1 to 90 days	$1/2\%$
91 to 120 days	$1\ 1/8\%$
121 to 180 days	$1\ 1/2\%$
Repurchase	$1/2\%$

Without objection, noted with approval.

Telegram dated February 16, 1933, from the Chairman of the Federal Reserve Bank of San Francisco stating that, at the meeting of the board of

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directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter dated February 16, 1933, to Deputy Governor Attebery of the Federal Reserve Bank of St. Louis, approved by three members of the Board, stating that in accordance with the recommendation contained in his letter of February 7, 1933, the Board has approved a change in the personnel classification plan of the Memphis branch to provide for the new position of "chief clerk" in the Collateral & Custody and Fiscal Agency Department of the branch.

Approved.

Letter to the Acting Comptroller of the Currency stating that, in accordance with the recommendation contained in his letter of February 14, 1933, the Federal Reserve Board has approved an increase from \$5,600 to \$6,000 per annum in the salary of National Bank Examiner L. H. Sedlacek.

Approved.

Telegraphic reply on February 17, 1933, approved by three members of the Board, to a telegram of that date from the Chairman of the Federal Reserve Bank of Chicago requesting authority for a change in the bank's minimum buying rate for bankers' acceptances from 1% to 1/2%, and stating that the request is made in order that the bank may be prepared to make some special purchases in the Chicago market should the need arise, although it is not the intention to reduce the present effective buying rate of 1%. The reply stated that the Board authorizes a reduction in the

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minimum buying rate of the bank for purchases of bankers' acceptances to 1/2%.

Approved.

Telegraphic reply on February 16, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Orange National Bank, Orange, New Jersey, in the amount of \$50,000, for a period of 90 days, with interest at the rate of 5% per annum, and on the security of ineligible tax revenue notes of a local township with a margin of at least 25%; Deputy Governor Rounds stating that the bank desires the advance to meet anticipated further withdrawals of deposits. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply on February 16, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Citizens National Bank, Freeport, New York, in the amount of \$25,000, for a period of 15 days, with interest at the rate of 5% per annum, and on the security of miscellaneous unsecured notes with a margin of at least 50%; Deputy Governor Rounds stating that the advance is desired

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by the bank to meet withdrawals of deposits pending the completion of arrangements for a loan from the Reconstruction Finance Corporation. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply on February 16, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for a renewal in the reduced amount of \$25,000, for a period of 90 days from February 17, 1933, with interest at the rate of 5% per annum, of the advance made by the New York bank in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the First National Bank, Altamont, New York, under the authority of the Board's telegram of December 19, 1932; Deputy Governor Rounds stating that the bank is not in a position to liquidate the advance at the present time. The reply stated that the Board authorizes the renewal subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply on February 17, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the National City Bank, New Rochelle, New York, in the amount of \$75,000, for a period of 90 days, with interest at the rate of 5% per

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annum, and on the security of miscellaneous customers' collateral notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank continues to suffer heavy withdrawals and is in need of additional funds to strengthen its cash position. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic replies to telegrams dated February 18, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for the renewal in the amounts shown, each for a period of 90 days from February 20, 1933, and with interest at the rate of 5% per annum, of advances made by the Federal Reserve Bank of New York in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the following member banks; Deputy Governor Rounds stating that the banks are not in a position to liquidate the advances at the present time:

<u>Name of Bank</u>	<u>Amount of Renewal</u>	<u>Date Originally Authorized by Board</u>	<u>Amount of Original Authorization</u>
First National Bank in Avon- by-the-Sea, New Jersey.	\$11,500	January 4, 1933	\$12,000
Cornwall National Bank, Cornwall, New York.	35,100	July 8, 1932	50,000
Larchmont National Bank and Trust Company, Larchmont, New York.	47,000	January 3, 1933	100,000
Farmers National Bank, Theresa, New York.	15,000	May 24, 1932	15,000

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<u>Name of Bank</u>	<u>Amount of Renewal</u>	<u>Date Originally Authorized by Board</u>	<u>Amount of Original Authorization</u>
Pelham National Bank, Pelham, New York.	\$17,000	November 22, 1932	\$20,000

Unanimously approved.

Telegraphic reply on February 17, 1933, approved by five members of the Board, to a telegram of that date from Governor Martin of the Federal Reserve Bank of St. Louis requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Bankers Trust Company, Little Rock, Arkansas, in the amount of \$108,000, for a period of 30 days, with interest at the rate of 5% per annum, and on the security of bills receivable totaling \$201,856.43; Governor Martin stating that the bank desires the advance to meet withdrawals of deposits pending completion of arrangements for a loan from the Reconstruction Finance Corporation. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Letter dated February 16, 1933, to the Federal Reserve Agent at Cleveland, approved by four members of the Board, referring to the analysis of report of examination as of December 19, 1932, of the American Trust and Savings Bank, Middletown, Ohio, and requesting advice as to whether the bank has charged off estimated losses set up at the time of the examination in accordance with the requirement of the Superintendent of Banks of the State of Ohio. The letter also suggested that, inasmuch as the bank's position is such as to necessitate an immediate strengthening, the agent consider the advisability of following up Assistant Federal Reserve Agent

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Fletcher's letter of January 19, 1933, to the Superintendent of Banks, by discussing with the latter the question of obtaining prompt financial assistance for the bank from its directors, advising the Board of the results of any such discussions. The Federal reserve agent was further requested to advise the Board from time to time of any improvement made by the bank in the other features of its condition which were subject to criticism in the report of examination above referred to.

Approved.

Letter dated February 16, 1933, to the Federal Reserve Agent at Chicago, approved by four members of the Board, referring to the analysis of report of a credit investigation as of October 31, 1932, of the Badger State Bank, Milwaukee, Wisconsin, and requesting advice as to the status of the plan of the Wisconsin Bankshares Corporation, which owns practically all of the stock of the member bank, to consolidate it with the First Wisconsin National Bank of Milwaukee as of January 1, 1933. The letter also stated that in the event the proposal has been abandoned or indefinitely deferred, the Board will be glad to receive information as to what action has been or will be taken to correct the features of the condition of the State institution which were subject to criticism in the report of credit investigation above referred to.

Approved.

Letter dated February 16, 1933, to the Federal Reserve Agent at Chicago, approved by four members of the Board, referring to the memorandum submitted by the Federal reserve agent's office under date of January 30, 1933, with regard to changes in the condition of the Holland City State

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Bank, Holland, Michigan, since the last examination of that institution as of July 25, 1932. The Board's letter requested advice as to the amount of the estimated losses set up by the examiner which have been charged off and as to what arrangements have been made or are under consideration to provide for such of these losses as may not have been charged off. The agent was also requested to advise the Board from time to time of any improvement which may be affected in the other criticized features of the bank's condition.

Approved.

Letter dated February 16, 1933, to the Federal Reserve Agent at St. Louis, approved by four members of the Board, referring to the analysis of report of examination as of August 13, 1932, of the Monroe County Bank, Brinkley, Arkansas, requesting additional information with regard to the Monroe County Insurance Company, which is reported as being owned and operated by the member bank, and advice as to whether the bank has made any arrangements to eliminate the impairment of its capital and as to any improvements, beyond those previously reported, which may have been effected in various matters contributing to the bank's unsatisfactory condition.

Approved.

Letter dated February 16, 1933, to the Federal Reserve Agent at St. Louis, approved by four members of the Board, referring to the analysis of the report of examination, as of September 21, 1932, of the Northwestern Trust Company, St. Louis, Missouri, and suggesting that the agent consider the advisability of discussing with the Commissioner of Finance of the

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State of Missouri the question of the conservation by the institution of its earnings and the elimination of further dividend payments, advising the Board of the results of any such discussion. The letter also requested additional advice with regard to the Northwestern Securities Company, the entire capital stock of which is held by the member trust company, and advice as to any improvement which may have been made in the condition of the latter, in addition to that previously reported.

Approved.

Mr. Miller, as Acting Chairman of the Committee on District No. 9, then reviewed, for the information of the other members of the Board, the information which had been obtained by the Committee, with the cooperation of Mr. Clark, Deputy Chairman of the board of directors of the Federal Reserve Bank of Minneapolis, in regard to persons who might be considered for appointment to succeed Mr. John R. Mitchell, as Chairman and Federal Reserve Agent at that bank, including particularly Mr. Geo. C. Holmberg, Treasurer of the Northwestern National Life Insurance Company, Minneapolis, Minnesota; Mr. John N. Peyton, Commissioner of Banking of Minnesota; Mr. H. R. Kibbee, President of the Commercial Trust & Savings Bank of Mitchell, South Dakota, and Class A director of the Minneapolis bank; and Mr. Joseph Chapman, Manager of the Minneapolis Agency of the Reconstruction Finance Corporation.

Governor Meyer stated that Senator Walsh of Montana had called him on the telephone recently and made an appointment for him to see Mr. J. E. O'Connell of Helena, Montana, a Class B director of the Federal Reserve Bank of Minneapolis, who recommended the appointment of Samuel McKennan, President of the Union Bank

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& Trust Company of Helena, Montana, as a successor to Mr. Mitchell.

Mr. Miller then stated that it appeared, after carefully considering the qualifications of the various persons who had been mentioned, that Mr. Holmberg would be the most suitable. In this connection, it was stated that Mr. Holmberg had not been advised that his appointment was under consideration, and that, in the event the Board authorizes the committee to tender the appointment to him, it may be found to be desirable to request him to come to Washington for an interview.

After discussion, the committee was authorized to tender the appointment to Mr. Holmberg with salary at the rate of \$20,000 per annum, the rate which was paid Mr. Mitchell, and, in the event he is requested by the committee to come to Washington, to advise him that he will be reimbursed by the Board for his expenses in connection with the trip.

At this point Mr. Wyatt joined the meeting.

Telegram dated February 18, 1933, addressed to Mr. Smead, Chief of the Division of Bank Operations, by Assistant Deputy Governor Netterstrom of the Federal Reserve Bank of Chicago, and stating that the bank this morning is exceeding by \$7,000,000 the margin fixed for it by the Board in its letter of May 2, 1932, outlining the formula under which Federal reserve banks are authorized to pledge Government securities as collateral for Federal reserve notes, and that if it is satisfactory to the Board the bank will not make an immediate readjustment, as the situation will probably correct itself during the day.

After discussion, Mr. Smead was authorized to advise Deputy Governor Netterstrom that the Board will interpose no objection to the suggestion of the bank.

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The Governor stated that Deputy Governor McKay of the Federal Reserve Bank of Chicago called him on the telephone yesterday with regard to certain legal questions which had arisen in the discussion of the conditions under which a loan might be made yesterday to a national bank in Michigan, where a bank holiday has been declared by the Governor of the State, and that he had requested Deputy Governor McKay to have the bank's counsel discuss the questions with Mr. Wyatt.

Mr. Wyatt stated that he had talked over the telephone regarding the matter with Mr. McKay, and Mr. Carl Meyer, the bank's counsel, and that it appeared that a plan is under consideration for the organization of a new bank to take over certain assets and liabilities from an existing national bank, and that it is proposed to turn over the proceeds of the advance to the new bank. He stated that the legal question involved was whether the Federal reserve bank could obtain a valid lien on collateral offered by the bank for the advance, in view of the fact that the national bank probably is insolvent, that the new institution will assume only known liabilities of the national bank, and that certain liabilities not now known may develop as the result of irregularities in the trust department of the national bank which is being examined. He reported that during his discussions with Mr. McKay and Mr. Carl Meyer he had stated that he did not see how the Federal Reserve Board could be expected to pass upon the matter in view of the fact that the information in the Board's possession was inadequate and the time too short to give it proper consideration; that the administration of the affairs of the Federal reserve bank is entrusted to its own directors and officers who are on the ground and familiar with

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all the circumstances; that they would therefore have to use their own judgment and act upon their own responsibility; and that any views expressed by him during the discussion of the legal phases of the transaction were only off-hand views and should not be considered as definite opinions. A memorandum prepared by Mr. Wyatt under date of February 18, 1933, with regard to his discussions with Messrs. McKay and Meyer will be found in the Board's files.

The Governor then reported that Mr. Mills, Chairman of the First Wayne National Bank, Detroit, Michigan, had called him on the telephone yesterday advising that the bank holds approximately \$7,000,000 of tax anticipation warrants of the City of Detroit on which it was desired to secure assistance from the Federal Reserve Bank of Chicago in connection with the proposed reorganization of the bank. Governor Meyer said that, following this conversation, he called Governor McDougal of the Federal Reserve Bank of Chicago on the telephone and stated that some of the other Federal reserve banks had been able, under the law and the regulations of the Board, to be of assistance to their member banks in similar situations, and that it might be well for his bank to look into the possibility of rendering assistance in this particular case, making it clear, of course, that the matter was one for determination by the bank.

The Secretary then reported a telephone conversation with Governor McKinney of the Federal Reserve Bank of Dallas on February 17, 1933, in which Governor McKinney stated that a member bank in the El Paso branch territory had requested the branch to earmark for it \$100,000 in gold, on the theory that the value of gold probably would appreciate and the bank

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would make a profit by the transaction; and that Governor McKinney was thinking of advising the bank that the Federal reserve bank has no authority to hold gold for member banks, although it would be glad to ship gold to the member bank at its expense and risk. It was the consensus that the reply to the member bank should not be made on the basis that the Federal reserve bank has no legal authority to earmark gold for a member bank, but that the purpose in view would be carried out by replying that the Federal reserve bank does not feel justified in earmarking and holding the gold for the member bank's account, but that it will ship gold to the member bank at the latter's expense and risk.

After discussion, the Secretary was requested to advise Governor McKinney accordingly.

Reports of Standing Committee dated February 16 and 17, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
National Bank of Commerce, Charleston, W. Va. (Increase in surplus)	2	2
<u>District No. 10.</u>		
First National Bank, Osmond, Nebraska. (Increase in surplus)	3	
State National Bank, Shawnee, Oklahoma. (Increase in surplus)	30	33
	<u>Total</u>	<u>35</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
First National Bank in Mamaroneck, New York. (Insolvent)	239	
Perth Amboy Trust Company, Perth Amboy, N. J. (Decrease in surplus)	90	
Raritan Trust Company, Perth Amboy, N. J. (Decrease in surplus)	60	389

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 3.</u>		
Atlantic City National Bank, Atlantic City, N. J. (Insolvent)	1,200	
Pleasantville National Bank, Pleasantville, N. J. (Insolvent)	<u>90</u>	1,290
<u>District No. 4.</u>		
Guardian Trust Company, Cleveland, Ohio. (Decrease in surplus)	1,800	1,800
<u>District No. 5.</u>		
First National Bank, Hampstead, Maryland. (Decrease in surplus)	24	
Edisto National Bank, Orangeburg, S. C. (Decrease in surplus)	45	
American Bank & Trust Company, Richmond, Virginia. (Decrease in surplus)	<u>300</u>	369
<u>District No. 6.</u>		
Putnam National Bank, Palatka, Florida. (Insolvent)	180	180
<u>District No. 8.</u>		
First National Bank, Ridgway, Illinois. (Insolvent)	19	
First National Bank, Steelville, Mo. (Insolvent)	33	
Farmers State Bank, New Athens, Ill. (V.L.Abs. by State Bank of Athens, nonmember)	<u>23</u>	75
<u>District No. 9.</u>		
Citizens Security National Bank, Sisseton, S. Dak. (Insolvent)	45	45
<u>District No. 10.</u>		
First National Bank, Englewood, Kansas. (Insolvent)	21	
First National Bank, Hartington, Nebraska. (Insolvent)	48	
First National Bank, St. Marys, Kansas. (Insolvent)	39	108
	<u>Total</u>	<u>4,256</u>

Approved.

Report of Standing Committee dated February 15, 1933, recommending approval of the following Clayton Act application:

Mr. N. A. Telyea, for permission to serve at the same time as director and officer of the First National Bank of Great Falls, Montana, and as director and officer of the National Park Bank in Livingston, Livingston, Montana.

Approved.

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Thereupon the meeting adjourned.

Arster Mouill
Secretary.

Approved:

Esquerbey
Governor.