

A meeting of the Federal Reserve Board was held in Washington on Saturday, February 25, 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
Mr. Wyatt, General Counsel

General discussion was had with regard to the present banking situation, consideration being given particularly to conditions in Detroit, Michigan, and Cleveland, Ohio, and to the possible effects of the closing of banks in the State of Maryland under a proclamation issued by the Governor of the State yesterday. During the discussion Governor Meyer was called from the meeting, and upon his return stated that he had just talked with Governor Seay of the Federal Reserve Bank of Richmond over the telephone who advised that the situation is quiet in all parts of the district. The discussion also referred to the somewhat increased withdrawals of gold from the Federal reserve banks and to steps which might be taken to deal with that situation in the event such withdrawals assumed unduly large proportions.

The Governor then referred to the recent testimony of Mr. Charles E. Mitchell, Chairman of the National City Bank, New York City, before the Senate Committee on Banking and Currency and in that connection reported to the Board that during the past summer he had communicated to Governor Harrison of the Federal Reserve Bank of New York his own personal feeling that the elimination of the influence of Mr. Mitchell from the banking situation in New York City would be desirable, and that

2/25/33

Governor Harrison had advised him recently that at one time although he had believed this might be accomplished, it seemed that consideration of the matter was subsequently dropped.

Reference was then made to the informal discussion at the meeting of the Executive Committee yesterday with regard to the selection of a chairman of the board of directors and Federal reserve agent at the Federal Reserve Bank of Cleveland to succeed Mr. George DeCamp, whose resignation, effective at the pleasure of the Board, was received some weeks ago. Mr. Miller, as Chairman of the Committee on District No. 4, the other member of which is Mr. Hamlin, stated that after careful consideration, and in view of the existing banking situation in Cleveland, he was convinced that the most satisfactory person in view for the position is Mr. L. B. Williams who is now deputy chairman of the board of directors of the bank, and who, in informal discussions as to his availability for the position, has indicated that he would accept the appointment if tendered, on the understanding that the basic salary for the position would be fixed at the same rate as is now received by the Governor of the bank and that he would be chairman of the executive committee as well as chairman of the board of directors. Mr. Miller explained that this change in the organization of the executive committee of the bank has been discussed with the directors who are agreeable to a change in the by-laws in accordance therewith. He also stated that, should Mr. Williams be appointed to the position, he would sever completely his present connection with Hayden, Miller & Company, investment bankers of Cleveland. He referred to a living trust created by Mr. Williams in favor of his son in which is held stock of an invest-

2/25/33

-3-

ment company underwritten by Hayden, Miller & Company and later distributed pro rata among the partners of the firm. He expressed the opinion that the continuance of this trust does not effect Mr. Williams' eligibility for appointment as Federal reserve agent and chairman of the board of directors of the bank, and stated that Mr. Williams has no other holdings or connections of any character which would affect his service in those capacities.

After discussion, the Governor was authorized to tender the appointment to Mr. Williams with salary at the basic rate of \$30,000 per annum, subject during the period in which the present share-the-work plan is in effect at the bank, to deductions in accordance therewith; it being understood that the appointment will be made formally by the Board when the resignation of Mr. DeCamp is accepted by the Board in accordance with the procedure outlined and approved at the meeting of the Executive Committee of the Board on December 20, 1932.

Reference was then made to the letter received from the President of the United States under date of February 22, 1933, and presented at the meeting of the Executive Committee of the Board on February 23, and the following reply thereto was presented and unanimously approved:

"The Board has requested me to acknowledge the receipt of your letter of February 22, 1933 addressed to the Governor and Members of the Federal Reserve Board.

"The Board has been keeping in close touch with the important changes that are taking place in the situation and the matters to which you refer have received, and are receiving, its constant attention. No definite information is available as to the amount of capital that has been exported, but, so far as the Board is advised, it appears to be a relatively small item so far. As you say, however, withdrawals of currency have reached large proportions, and gold withdrawals have increased to some extent.

2/25/33

-4-

"While some of the recent developments are disturbing, and many proposals as to ways and means of dealing with them are being made, the Board feels it is essential in times like these that every suggestion be carefully weighed and considered from the point of view of whether, if adopted, it would accomplish the results sought, or whether it would be likely to bring even greater disturbance and make worse the situation that it is designed to correct.

"Recently the Board, after giving the matter careful thought with these considerations in mind, approved the joint resolution regarding the powers of the Comptroller of the Currency introduced by Senator Couzens, which has passed the Senate and which has been favorably reported by the Committee on Banking and Currency of the House. It felt that such a measure would be helpful in facilitating the working out of existing situations in various communities without creating undue disturbance. The Board also, from time to time, has expressed its views regarding other legislative proposals which would affect the exercise of its functions or the operations of the Federal reserve system, and is continually studying the various problems that are presented as the picture changes, with the view of developing concrete suggestions for appropriate action if and when the need should arise.

"At the moment the Board does not desire to make any specific proposals for additional measures or authority, but it will continue to give all aspects of the situation its most careful consideration."

The Board also considered and acted upon the following matters:

Letter dated February 23, 1933, from the Secretary of the Federal Reserve Bank of Kansas City and telegram dated February 24, 1933, from the Chairman of the Federal Reserve Bank of Atlanta both advising of the establishment at those banks as of February 20, and 23, respectively, of an effective buying rate of $1/2\%$ for purchases of bankers' acceptances with maturities of from 1 to 90 days.

Without objection, noted with approval.

Telegram dated February 24, 1933, from the Chairman of the Federal Reserve Bank of Chicago advising that at the meeting of the board of

2/25/33

-5-

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.

Telegraphic replies to telegrams dated February 24, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for renewals in the amounts of \$100,000, \$50,000, \$40,000, and \$10,000 now outstanding, each for a period of 90 days from February 27, 1933, at a rate of 5% per annum, of the advances made by the bank in accordance with the provisions of section 10(b) of the Federal Reserve Act, and under authority previously granted by the Board, to the Lincoln National Bank, Newark, New Jersey, the Salt Springs National Bank, Syracuse, New York, the First National Bank, Bolivar, New York, and the Atlanta National Bank, Atlanta, New York, respectively; Deputy Governor Rounds stating that the banks are not in a position to retire the advances at the present time. The replies stated that the Board authorizes the renewal of the advances subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply to a telegram dated February 24, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for a renewal in the amount of \$16,000 now outstanding, for a period of 26 days from February 27, 1933, at a rate of 5% per annum, of the advance made by the bank in accordance with the provisions of section 10(b) of the Federal Reserve Act and under authority of the Board's telegram of December 23, 1932, to the First National Bank in Avon-by-the-Sea, New Jersey; Deputy Governor Rounds stating that the bank is not in a

2/25/33

-6-

position to retire 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 to a telegram dated February 25, 1933, 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 Perth Amboy Trust Company, Perth Amboy, New Jersey, in the amount of \$150,000, for a period of 90 days, with interest at the rate of 5% per annum, and on the security of assignments of the bank's equities in collateral pledged for loans from the Reconstruction Finance Corporation and the Federal Reserve Bank of New York; Deputy Governor Rounds stating that the bank has been under heavy pressure for some time and is urgently in need of additional funds. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply on February 24, 1933, approved by five members of the Board, to a telegram of that date from Deputy Governor Johns of the Federal Reserve Bank of Atlanta requesting authority for an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the American Bank and Trust Company, New Orleans, Louisiana, in the amount of \$280,000, for a period of 90 days, with interest at the rate of 5% per annum, and secured by collateral with an estimated value of \$375,000; Deputy Governor Johns stating that the 10(b) advance to the

2/25/33

-7-

national bank now outstanding under the authority of the Board's telegram of February 6, 1933, in the amount of \$29,900 will be retired. The reply stated that the Board authorizes the continuance until May 25, 1933, in the reduced amount now outstanding, with interest at the rate of 5% per annum of the 10(b) advance previously made to the national bank, and that it also authorizes an additional advance, in accordance with the provisions of section 10(b), to the national bank in the amount of \$250,100, for a period of 90 days from February 24, with interest at the rate of 5% per annum. The reply also stated that in taking this action it is assumed by the Board that the bank has no further eligible and acceptable assets to enable it to obtain adequate credit accommodations from the Federal reserve bank under other provisions of the Federal Reserve Act except section 10(a) and that the exigent circumstances referred to in Governor Black's letter of December 8, 1932, still exist.

Unanimously approved.

Telegraphic reply to a telegram dated February 25, 1933, from Governor Hamilton of the Federal Reserve Bank of Kansas City requesting authority for the renewal in the total reduced amount of \$812,720 now outstanding, for a period of 15 days from this date, with interest at the rate of 5% per annum, of the advances made by the bank, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Fidelity National Bank and Trust Company, Kansas City, Missouri, under the authority of the Board's telegrams of February 11 and 14, 1933; Governor Hamilton stating that the slow withdrawal of deposits from the bank still continues. The reply stated that the Board authorizes the renewal of the advances subject to the terms and conditions recommended.

2/25/33

-8-

250

Unanimously approved.

Memorandum dated February 11, 1933, from Mr. Wyatt, General Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin, in the form attached to the memorandum, the substance of the memorandum inclosed in the Board's letter of January 27, 1933, to the Acting Comptroller of the Currency with regard to the collective investment of trust funds of national banks.

Approved.

Letter to the Federal Reserve Agent at Cleveland stating that in response to a request made of the Acting Comptroller of the Currency for a recommendation as to the action to be taken by the Board on the application of the Union National Bank, Donora, Pennsylvania, for permission to exercise full fiduciary powers, the Acting Comptroller stated that the chief national bank examiner of the Fourth Federal Reserve District has been requested to arrange for an examination of the bank as soon as possible, and, upon receipt of a report of such examination, a recommendation will be submitted to the Board in connection with the application. The letter also stated that in view of this information, and the fact that the national bank has not been examined previously, the Board will defer consideration of the application until after receipt of the report of examination referred to, and that the agent is requested, upon receipt of the report in his office, to review the findings of the examiner and advise the Board whether he desires to amend the favorable recommendation contained in Assistant Federal Reserve Agent Fletcher's letter of February 13, 1933.

Approved.

2/25/33

-9-

Letter dated February 24, 1933, to the Federal Reserve Agent at Philadelphia, approved by three members of the Board, requesting additional information with regard to the absorption by the Princeton Bank and Trust Company, Princeton, New Jersey, of its affiliate, the Princeton Securities Company, and stating that while the Board, in view of the circumstances involved, will take no action at this time with regard to the holding by the member institution of 34 shares of its own stock acquired from the affiliate, the agent is requested to advise the trust company that such stock should be disposed of as soon as possible. The letter also requested the agent to furnish the Board with information as to what extent and over what period the trust company has sold mortgage participations, together with definite advice as to the nature of its liability on the participation certificates which it has sold, and an expression of his views as to any action which can be taken appropriately at this time, either by the Board or the agent's office, in connection with this particular activity of the institution.

Approved.

Letter dated February 24, 1933, to the Federal Reserve Agent at Cleveland, approved by three members of the Board, referring to the unsatisfactory condition of the Atwater Savings Bank, Atwater, Ohio, as disclosed by the report of examination of that institution as of October 20, 1932, and stating that, in view of the fact that the bank will be examined immediately after April 7, 1933, the Board will take no action at this time looking toward the discontinuance of its membership, it being assumed that the agent will participate in the examination of the bank and advise

2/25/33

-10-

the Board fully of any action which may have been taken to improve its unsatisfactory condition.

Approved.

Reports of Standing Committee dated February 24, 1933, recommending approval of the following changes in stock at Federal Reserve Banks:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
First National Bank, Painted Post, New York.	45	45
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
First Trust & Deposit Co., Syracuse, N. Y. (Decrease in surplus)	600	600
<u>District No. 5.</u>		
First National Bank, Ronceverte, W. Va. (Decrease in surplus)	21	21
<u>District No. 9.</u>		
First National Bank, Foley, Minnesota. (Decrease in surplus)	6	6
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	Total	627

Approved.

Reports of Standing Committee dated February 23 and 24, 1933, recommending approval of the following Clayton Act applications:

Mr. F. M. Bass, for permission to serve at the same time as director of the American National Bank of Nashville, Tennessee, and as director of the First National Bank of Shelbyville, Tennessee.

Mr. E. E. Murrey, for permission to serve at the same time as director of the American National Bank of Nashville, Tennessee, and as director of the First National Bank of Shelbyville, Tennessee.

Mr. Frederic C. Dumaine, for permission to serve at the same time as director of the Union Trust Company of Boston, Massachusetts, and as director of the First National Bank of Boston, Massachusetts.

2/25/33

-11-

Mr. Philip Dexter, for permission to serve at the same time as director of the Union Trust Company of Boston, Massachusetts, and as director of the First National Bank of Boston, Massachusetts.

Approved.

Thereupon the meeting adjourned.

Chester Morril
Secretary.

Approved:

Augustus
Governor.