A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Saturday, May 6, 1933, at 11:35 a.m.

PRESENT: Mr. Meyer, Governor
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

The Committee considered and acted upon the following matters:

Letter dated May 4, 1933, from the Secretary of the Federal Reserve Bank of New York, and telegram dated May 4, 1933, from the Chairman of the Federal Reserve Bank of San Francisco, both advising that, at meetings of the boards of directors on the date stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply on May 5, 1933, approved by three members of the Board, to a telegram of that date from Mr. Williams, Chairman of the Federal Reserve Bank of Cleveland, advising that the board of directors, at its meeting on that date, established a rate of 5% on advances to member banks in accordance with the provisions of section 10(b) of the Federal Reserve Act as amended; no other change being made in the bank's existing schedule of rates of discount and purchase. The reply stated that the Board approves the rate of 5%, effective May 5, 1933.

Approved, and, there being no objection, the action of the directors in making no other change in the bank's existing schedule of rates of discount and purchase was noted with approval.

Letter dated May 5, 1933, from Mr. Case, Chairman of the Federal Reserve Bank of New York, stating that at the meeting of the board of
Directors of the bank on May 4, 1933, the resignation of Mr. George W. Davison as a member of the Federal Advisory Council was accepted and Mr. Walter E. Frew, Chairman of the Corn Exchange Bank Trust Company, New York City, was selected as a member of the council, representing the Second Federal Reserve District, to succeed Mr. Davison.

Noted.

Reply on May 5, 1933, approved by three members of the Board, to a letter dated April 29 from Governor Geery of the Federal Reserve Bank of Minneapolis, stating that Mr. H. C. Timberlake, Assistant Statistician of the bank, has been offered a new position with salary at the rate of $5,000 per annum; that he has agreed to remain with the Minneapolis bank if his salary is increased from $4,000 to $4,500 per annum; and that, subject to the approval of the Federal Reserve Board, the executive committee of the bank has fixed his salary at the latter rate. The reply stated that the Board approves a salary at the rate of $4,500 per annum for Mr. Timberlake, effective May 1, 1933.

Approved.

Letter dated May 5, 1933, to Assistant Federal Reserve Agent Mosher at Minneapolis, approved by three members of the Board, stating that it is noted that the list of officers contained in the 1932 annual report of the bank includes the counsel, statistician, assistant statistician, acting assistant Federal reserve agent and alternate acting assistant Federal reserve agents, although these positions are not regarded as official by the Board, and it is assumed that the compensation paid to persons holding such titles is not included in officers' salaries in expense reports. The letter
also stated that if it is desired to have the names of the statistician and
counsel or others in question appear in the annual report, it is suggested
that they be shown under general heads rather than as officers, and suggested
that the name of the deputy chairman be omitted from the list of officers
and the chairman and deputy chairman be indicated in the list of directors.
The letter further stated that the statement submitted with Mr. Mosher's
letter of January 17, 1933, contains no reference to the appointment of
Mr. Sigurd Ueland as assistant counsel of the bank and advice as to his
listing as such in the report will be appreciated.

Approved.

Telegraphic reply on May 5, 1933, approved by three members of the
Board, to a telegram of that date from Deputy Governor Rounds of the Fed-
eral Reserve Bank of New York, requesting authority to purchase from the
Caldwell National Bank, Caldwell, New Jersey, $45,000 of tax notes of the
Borough of Caldwell. The reply stated that the Board authorizes the
Purchase with the understanding that the notes meet all requirements of
Regulation E except that the population of the issuing municipality is less
than 10,000 and the amount offered exceeds 25% of the total outstanding
warrants of the municipality.

Approved.

Telegramms dated May 5, 1933, to the respective Federal reserve
agents, approved by three members of the Board, stating that the Board has
approved the applications filed by the following State banks for membership
in the Federal Reserve System and for Federal reserve bank stock, subject
to the conditions prescribed in the individual telegrams:
Name of Bank | Number of Shares | Federal Reserve Bank
--- | --- | ---
Garden City Bank and Trust Company, Garden City, New York. | 145 | New York
Holstein State Bank, Holstein, Iowa. | 36 | Chicago

Approved.

Reply on May 4, 1933, approved by four members of the Board, to a letter dated April 27 from Governor Norris of the Federal Reserve Bank of Philadelphia, with further regard to the application for membership in the Federal Reserve System filed by the Berks County Trust Company, Reading, Pennsylvania. The reply referred to the letter addressed by the Board to Mr. Austin, Federal Reserve Agent at Philadelphia, on May 4 advising that the Board did not feel justified in taking favorable action on the application, and stated that the Board hopes the efforts now being made toward improving the bank's condition will be productive of good results and the institution will be placed in a condition which will justify the Board in giving further consideration to the question of its admission to membership.

With respect to a comment contained in Governor Norris' letter that it would be an unfortunate and deflationary measure if the bank were to be denied membership in the Federal Reserve System, the reply stated that if the bank should be unable to survive it would be due primarily to its unsatisfactory condition and the fact that the necessary corrections were not required before it was permitted to resume business, rather than to any action on the part of the Federal Reserve Board.

Approved.
Reply on May 5, 1933, prepared in accordance with the action taken at the meeting of the Executive Committee on May 1, 1933, and approved by three members of the Board, to the letter dated April 7, 1933, from Mr. Stevens, Federal Reserve Agent at Chicago, transmitting the application for membership in the Federal Reserve System filed by the Banco di Napoli Trust Company, Chicago, Illinois. The reply stated that the Board has given careful consideration to the information submitted in connection with the application, and, in the light of all the circumstances, does not feel that it would be justified in taking favorable action thereon, and that, in accordance with the agent's suggestion, the Board is agreeable to his arranging with the trust company for the withdrawal of its application from further consideration.

Approved.

Letter dated May 5, 1933, to the National Bank of Detroit, Detroit, Michigan, approved by four members of the Board, stating that the Board approves the bank's application for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Michigan, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.
Telegram dated May 5, 1933, to Mr. Wood, Federal Reserve Agent at St. Louis, approved by three members of the Board, requesting him to advise the National Bank of Commerce in Memphis, Tennessee, that the Federal Reserve Board approves its application for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Tennessee, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Reply on May 5, 1933, approved by three members of the Board, to a letter dated April 19 from Mr. Case, Federal Reserve Agent at New York, inclosing a copy of a letter from the conservator of the First National Bank in Highland Falls, New York, which institution has taken over the affairs of the First National Bank and Trust Company of Highland Falls, offering to furnish a certificate to the effect that the one trust held by the latter institution at the time of its last examination has been discharged, in order that he may obtain, as soon as possible, a certificate from the Board terminating the right of the First National Bank and Trust Company to exercise trust powers. The reply stated that, in view of provisions of law regarding the surrender of trust powers, the Board feels it is desirable that the fact that a bank has been relieved of all of its
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duties as fiduciary be determined through an investigation by an examiner in accordance with the provisions of Regulation F, and that, as the last examination of the bank was made on February 7, 1933, the matter has been taken up with the office of the Comptroller of the Currency which has suggested that, if the conservator will request the Comptroller's office to make a special examination of the bank for the purpose referred to, such an examination will be made as soon as it is conveniently possible to do so.

Approved.

Reply on May 5, 1933, approved by three members of the Board, to a memorandum dated April 27 from the Acting Comptroller of the Currency, recommending approval of the application of the First National Bank, Butler, New Jersey, for permission to reduce its capital stock from $100,000 to $50,000; to transfer the released capital to surplus and undivided profits; to change the par value of the shares from $100 to $50 each; and immediately to increase the capital from $50,000 to $100,000 by selling 1,000 shares of common stock for $150 a share, crediting the premium of $100,000 to surplus or undivided profits. The reply stated that the Board approves the reduction under the plan submitted, subject to certain conditions set forth in the reply. The reply also stated that it is assumed that the Comptroller's office will take such steps as it deems advisable, in view of all the circumstances involved, to impress upon the directors of the bank the advisability of providing additional capital funds.

Approved.
Reply to a memorandum dated May 3, 1933, from the Acting Comptroller of the Currency with further reference to, and recommending approval of, the application of the Montgomery County National Bank, Rockville, Maryland, for permission to reduce its capital stock from $100,000 to $50,000; to transfer the released capital to surplus or undivided profits; and immediately to increase the capital to $100,000 by the sale of new stock for cash at a premium of 100%, the premium to be credited to surplus or undivided profits; it being understood also that waivers of 10% of the deposits of the bank will be obtained under the provisions of section 207 of the Bank Conservation Act. The reply stated that the Board approves the reduction in capital stock under the plan submitted, subject to certain conditions set forth in the reply.

Approved.

Reply on May 5, 1933, approved by three members of the Board, to a letter dated April 12 from Mr. J. C. Rovensky, Vice President of The Chase Bank, New York City, New York, stating that the report of examination of the bank as of October 15, 1932, was brought to the attention of the board of directors at its meeting on April 12, and advising of the action taken in accordance with the suggestions of the Board's examiner. The reply noted the action taken, and stated that on March 28, 1933, Mr. John A. Will, Controller of The Chase National Bank, addressed a letter to the Board requesting that The Chase Bank be permitted to adjust certain write-offs so that there will be reinstated on the books of the Paris branch the amount of $5,355,236; that from the information submitted it appears that the installation account standing at $6,149,000 on May 28, 1930, and
representing installation costs of vaults, etc., had been entirely written off by December 31, 1932, and the amount which it is desired to reinstate represents these tangible assets after actual and acknowledged depreciation; and that the Board will interpose no objection to the reinstatement of the account in the amount requested with the understanding that the bank will continue the present policy of depreciating the account at the rate of 5% annually until such account is entirely eliminated from its assets, and that the Board reserves the right to require additional write-offs in the account should the information developed in future examinations of the branch indicate that such action is advisable.

Approved.

Letter to Mr. Curtiss, Federal Reserve Agent at Boston, requesting additional information, along the lines referred to in the letter, for consideration by the Board in connection with the application of Mr. W. Rodman Peabody for permission to serve at the same time as a director of the Merchants National Bank of Boston, the Boston Safe Deposit and Trust Company, and the Fiduciary Trust Company of Boston.

Approved.

Telegraphic reply on May 5, 1933, approved by three members of the Board, to a telegram dated May 2 from Governor Geery of the Federal Reserve Bank of Minneapolis, stating that the Comptroller of the Currency has authorized various conservators of banks, which are indebted to the Federal reserve bank and which have reserve balances sufficient to cover the amount of the borrowings, to request the Federal reserve bank to charge all rediscounts to the reserve accounts of the banks as of the date of the
appointment of the respective conservators which would necessitate the Federal reserve bank rebating interest which has been accruing on these rediscounts, and that, before taking the suggested action, instructions from the Board are requested. The reply stated that, if the Federal reserve bank, after consultation with its counsel and in the light of the circumstances of each particular case, considers it advisable to comply with such request of the conservator of a national bank and the reserve account is sufficient for the purpose, the Board offers no objection. The reply also stated that, in any event, the Federal reserve bank may wish to consider the advisability of taking such steps as may be necessary to preserve such rights as it may have to interest accrued after the date of appointment of the conservator in a case in which the charge to the reserve account of the national bank is materially delayed at the request of, or upon agreement with, the conservator pending possible reorganization or resumption of business by the national bank, or to preserve the rights of the Federal reserve bank to accrued interest in the event the bank is subsequently permitted to resume business or is reorganized.

Approved.

Memorandum dated May 3, 1933, from Mr. Vest, Assistant Counsel, suggesting that there be published in the next issue of the Federal Reserve Bulletin, in the forms attached to the memorandum, the recent ruling of the Board with respect to the question whether Federal home loan banks should be considered banks within the meaning of section 19 of the Federal Reserve Act, and a statement with reference to the placing of the First Federal Foreign Banking Corporation in voluntary liquidation.

Approved.
Governor Meyer presented a letter addressed to Mr. Paulger, Chief of the Division of Examinations, under date of May 1, 1933, by Mr. F. J. Drinnen, Federal reserve examiner, who is at Chicago conducting an examination of the Federal Reserve Bank of Chicago, stating that during the period between April 11 and 26, 1933, the Harris Trust and Savings Bank, Chicago, Illinois, withdrew $8,000,000 in large bills from the Federal reserve bank; the member bank advising that the money was not being withdrawn for hoarding but was being kept in the vaults of the bank, as it was felt that the Federal reserve banks' heavy purchases of Government securities were being made largely through the excess reserves that were being carried by member banks, and, as a result, the member banks were not able to invest their money in Government securities at a reasonable rate, and that the bank, therefore, wished to keep its excess reserves in cash in its own vaults rather than on deposit with the Federal reserve bank.

Ordered circulated.

Governor Meyer stated that he had talked with Deputy Governor Burgess of the Federal Reserve Bank of New York over the telephone and that the latter had advised that, in replacing maturities in the open market investment account, arrangements are being made to keep 50% or more of the securities in maturities within eighteen months, and that the executive committee of the Open Market Policy Conference, at the present time, does not have a program for further shifting of maturities.

Mr. Miller, as chairman of the Committee on District No. 9, stated that the Chairman of the Board had interposed no objection to the appointment of Mr. John N. Peyton as class C director and chairman of the board
of directors and Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, and that Mr. Peyton has accepted the appointment as tendered by Mr. Miller in accordance with the action taken at the meeting of the Executive Committee on May 4, 1933, and will assume his duties on May 15, 1933.

Mr. Miller also stated that, while talking over the telephone with Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, with regard to the appointment of Mr. Peyton, he had suggested to Mr. Clark that the by-laws of the bank be amended so as to make the chairman of the board of directors also chairman of the executive committee. Mr. Clark had replied, Mr. Miller stated, that he felt that such action would not be desirable in connection with Mr. Peyton's coming into the bank as it might prejudice his standing at the bank, and that he felt that the bank was operating satisfactorily under the present arrangement. The suggested change was discussed and the opinion was expressed by the members present that it would be desirable for the chairman of the board of directors to act also as chairman of the executive committee.

Accordingly, the Secretary was requested to prepare a letter to Mr. Clark, for consideration by the Board, suggesting that consideration be given by the directors of the bank to the proposed change in the bank's by-laws.

Report of Standing Committee dated May 5, 1933, recommending approval of the following Clayton Act application:

Mr. J. Harold Dollar, for permission to serve at the same time as director of the First National Bank in San Rafael, San Rafael, California, and as director of the San Francisco Bank of San Francisco, California.
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Approved.

Thereupon the meeting adjourned.

[Signature]
Secretary.

Approved:

[Signature]
A. C. Mill
Chairman, Executive Committee.