A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, May 26, 1933, at 11:30 a.m.

PRESENT: Mr. Black, Governor
          Mr. Hamlin
          Mr. Miller
          Mr. Morrill, Secretary
          Mr. Carpenter, Assistant Secretary
          Mr. McClelland, Assistant to the Governor.

The Governor stated that, in accordance with the action taken at the meeting of the Executive Committee yesterday, he had informed Governor Harrison, upon receipt of advice that the board of directors of the Federal Reserve Bank of New York had taken action to reduce the discount rate of the bank to 2 1/2%, that the Board approved for the bank a discount rate of 2 1/2% per annum for all rediscounts of eligible paper for member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act and advances to member banks under the provisions of the eighth paragraph of section 13 of the Federal Reserve Act, effective May 26, 1933.

In this connection, there was presented a letter dated May 25, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, confirming the advice given to Governor Black over the telephone of the action taken at the meeting of the board of directors on May 25 to reduce the discount rate of the bank from 3% to 2 1/2%, and stating that, in accordance with the usual custom, the rates at the bank for trade bills and repurchase agreements on Government securities had been reduced by the directors to 2 1/2%.

There being no objection, the reduction in the rates at the New York bank on trade bills and repurchase agreements on Government securities was noted with approval.
There was then presented a telegram just received from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, stating that the board of directors of the bank, at its meeting today, voted to establish a discount rate of 3%, effective the first business day following that on which approved by the Federal Reserve Board.

The rate of 3%, established by the board of directors of the Chicago bank, was approved, effective May 27, 1933.

Governor Black stated that Governor Young of the Federal Reserve Bank of Boston had advised him that, following the reduction in the discount rate at the Federal Reserve Bank of New York, the board of directors of the Federal Reserve Bank of Boston will undoubtedly take action within the next few days to reduce the discount rate of the Boston bank to 3%.

Accordingly, Governor Black was authorized, upon receipt of advice of such action from the Federal Reserve Bank of Boston, to advise that the Board approves for the bank a discount rate of 3%.

Memorandum dated May 26, 1933, from Mr. Smead, Chief of the Division of Bank Operations, submitting the resignation of Mrs. Libbie S. Hitt, as Secretary to the chief of the division, to take effect at the close of business on June 20, 1933, or as soon thereafter as she can be released from duty. The memorandum recommended that the resignation be accepted as of the close of business on June 23, 1933, and stated that it is planned to fill the vacancy created by the resignation of Mrs. Hitt as soon as a satisfactory successor is found.

Accepted.
Reply on May 25, 1933, approved by four members of the Board, to a letter dated May 19 from Mr. Austin, Federal Reserve Agent at Philadelphia, outlining the circumstances which make it desirable that additional employees of the Federal Reserve Bank of Philadelphia be authorized to assist the bank's examiners in the examination of some of the larger state member institutions located in or near Philadelphia. The reply stated that, in view of the situation outlined by Mr. Austin and, in accordance with the requests contained in his letters of May 11 and May 17, 1933, the Board has approved the designation of the seven employees listed in those letters to assist examiners. The reply also stated, in response to the suggestion contained in the agent's letter of May 19 that he as agent of the Board designate employees as temporary assistants with prompt advice to the Board of the designations made, that the Board feels, in view of the requirement of the law that examiners be selected or approved by the Federal Reserve Board, that there should be no change in the present procedure of obtaining the approval of the Board prior to the designation.

Approved.

Telegram dated May 25, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by four members of the Board, referring to a memorandum dated May 24, from Deputy Governor McKay in which reference was made to the proposed appointment of Mr. Alfred T. Sihler as Assistant Deputy Governor in the Fiscal Agency Department of the Chicago bank, and which requested approval by the Board of a salary at the rate of $8,550 per annum for Mr. Sihler in that position. The telegram stated that, with the understanding that the matter has been discussed with the individual members of
the board of directors of the Federal Reserve Bank of Chicago and that they are favorable to and will make the appointment at the meeting of the board of directors on May 26, the Federal Reserve Board approves for Mr. Sihler a salary at the rate of $9,550 per annum, effective as of the date upon which he assumes his duties.

Approved.

Telegrams dated May 25, 1933, to the respective Federal reserve agents, approved by four members of the Board, stating that the Board approves the applications of the following State banking institutions for membership in the Federal Reserve System and for Federal reserve bank stock, subject to the conditions prescribed in the individual telegrams:

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Number of Shares</th>
<th>Federal Reserve Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waterbury Trust Company, Waterbury, Connecticut</td>
<td>300</td>
<td>Boston</td>
</tr>
<tr>
<td>Peoples State Bank, Bloomer, Wisconsin</td>
<td>18</td>
<td>Minneapolis</td>
</tr>
</tbody>
</table>

Approved.

Reply on May 25, 1933, approved by four members of the Board, to a telegram dated May 17 from Mr. Walsh, Federal Reserve Agent at Dallas, advising that the Atoka State Bank, Atoka, Oklahoma, has determined to prosecute its application for permission to convert into a national banking institution and that it has discontinued its efforts to obtain membership in the Federal Reserve System as a State bank. The reply stated that, in view of this information, the Board will consider the application as having been abandoned, and will take no further action with regard thereto.

Approved.
Telegram dated May 25, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by four members of the Board, replying to a letter dated May 18 from Mr. Young, Assistant Federal Reserve Agent, recommending approval by the Board of a proposed transaction by which the Farmers State Bank, Belvidere, Illinois, a member institution, will assume a portion of the deposit liabilities and acquire certain of the assets of the Peoples State Bank of Belvidere, a closed nonmember bank. The reply stated that it is understood that the transaction will not result in the acquisition of any branches by the member institution or in any change in the scope of its corporate powers or the functions exercised by it, and that, on the basis of the information submitted by Mr. Young with regard to the manner in which the transaction is to be effected and the character of the assets to be taken over, the Board interposes no objection to the transaction. The reply also stated that it is assumed that the transaction will not result in any change in the corporate existence of the member bank under the laws of the State of Illinois which will affect its membership in the System, but suggested that the agent, if he has not already done so, obtain advice from counsel on this point.

Approved.

Reply on May 25, 1933, approved by four members of the Board, to a letter dated May 18 from Mr. Austin, Federal Reserve Agent at Philadelphia, with which he inclosed information with regard to the improvements effected in the condition of the Berks County Trust Company of Reading, Pennsylvania. The reply stated that the Board is pleased to note the many corrections and improvements made and promised in the condition of the bank
as a result of the recent conferences which the agent's office has had with
the directors of the bank, and that it is noted that the board of directors
of the Philadelphia bank concurs in the conclusion of the executive
committee that the trust company should be permitted to continue its present
operating arrangement with the reserve bank until another examination can
be made, at which time it is hoped such additional improvements will have
been made as to warrant favorable consideration of a new application by the
trust company for membership in the Federal Reserve System.

Approved.

Letter dated May 25, 1933, to the Comptroller of the Currency,
approved by four members of the Board, referring to his memorandum of
May 12, 1933, recommending approval of the application of the Fishkill
National Bank of Beacon, New York, for permission to reduce its capital
stock from $150,000 to $100,000; to change the par value of the shares
from $100 to $50 each; and immediately to increase the capital stock from
$100,000 to $150,000 by selling 1,000 shares of new common stock of a par
value of $50 each for $150 a share, crediting the released capital and the
premium of $100,000 on the new stock to surplus or undivided profits for
the purpose of charging off losses of $3,525.50 and depreciation of
$142,919.44. The reply stated that the Board approves the proposed reduction
under the plan submitted, subject to the conditions set forth in the reply.

Approved.

Letter to Mr. Stevens, Federal Reserve Agent at Chicago, approved
by four members of the Board, replying to a letter dated May 15, 1933, from
Mr. Young, Assistant Federal Reserve Agent, inclosing certain data in
connection with the reduction in the capital stock of the Uptown State Bank of Chicago, Illinois, which was approved by the Board in its telegram of April 29, 1933. The letter stated that the Board does not consider the creation of a specific reserve for the purpose of taking care of the $186,002 of losses estimated in the account due from the Fidelity Trust and Savings Bank as a compliance with the condition under which the bank was permitted to reduce its capital stock, and requested that the agent advise the bank that the condition contemplated an actual elimination of the account from the assets of the bank either through a charge-off as indicated in the condition, or the establishment of a valuation reserve which accomplishes the same purpose as a charge-off in that such a reserve is applied as a deduction from the asset account in question and would not appear in the published statements of condition of the bank. The letter requested the agent to advise the bank that the Board will expect compliance with the condition referred to either by effecting an actual charge-off of the asset, or by the establishment of the valuation reserve referred to above, and to advise the Board as to the action taken by the bank in the matter.

Approved.

Letter dated May 25, 1933, to the First Capital State Bank, Iowa City, Iowa, approved by three members of the Board, advising that, effective if and when the First Capital State Bank is converted into a national banking association and is authorized by the Comptroller of the Currency to commence business as the First Capital National Bank of Iowa City, Iowa, the Federal Reserve Board approves the application filed by the State bank on behalf of such national bank 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 Iowa, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The letter stated also that, after the conversion becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, the board of directors should adopt a resolution ratifying the action taken in its behalf by the State bank in making application for permission to exercise trust powers, and requested that a certified copy of the resolution so adopted be forwarded to the Board.

Approved.

Telegraphic reply on May 25, 1933, approved by three members of the Board, to a telegram dated May 23 from Mr. R. S. Hecht, Chairman of the Hibernia National Bank, New Orleans, Louisiana, referring to the Board's letter of May 19, 1933, in which authority was granted to the national bank to exercise trust powers, and stating that the bank is being offered trustee-ships in connection with bond issues of thoroughly reputable concerns but where foreclosure proceedings may become necessary to protect the bond-holders, and, while the bank is anxious to act in these cases, it desires to keep within the general policy of the Board and would appreciate advice concerning the matter. The reply referred to the fact that, in approving the bank's application for trust powers, the Board stated that it felt that
if the bank is tendered any trusts now held by the Hibernia Bank and Trust
Company, it should carefully scrutinize the condition of these trusts and
should not accept any of such trusts which might be detrimental to its
interests, and felt particularly that it should not accept the trusteeship
for issues of the Hibernia Mortgage Company which was commented upon in the
examiner's report of April 18, 1933. The reply also stated that the Board
presumes the trusts referred to are not those of the Hibernia Mortgage
Company; that the responsibility for accepting trust business of any
character, whether from the old bank or new accounts, must rest entirely
with the officers and directors of the bank; and that the Board cannot in
advance pass upon the merits of any individual trusts accepted by the bank.

Approved.

Reply on May 25, 1933, approved by four members of the Board, to a
letter dated April 20 from Mr. Case, Federal Reserve Agent at New York,
inclining a letter dated April 18 from the Chairman of the Bank of Man-
hattan Company, New York City, with regard to compliance by the company
with the condition of membership prescribed by the Board that, as soon as
Practicable and not later than July 1, 1933, the company shall dispose of
all stock which it holds or may acquire in the County Trust Company, White
Plains, New York, and the Corning Trust Company and the North Side State
Bank, both of Corning, New York. The reply stated that, inasmuch as it
appears that the Bank of Manhattan Company has negotiations pending with
Mr. Alanson B. Houghton for the disposal of the two banks in Corning, New
York, and will have an answer from Mr. Houghton on or before the first of
June, 1933, the Board feels that it should defer action on the request of
the Bank of Manhattan Company for an extension of time within which to
dispose of the stock of the two banks, until it has been advised of the
decision of Mr. Houghton, and that upon receipt of this information the
matter will be given further consideration by the Board. The reply also
stated that before giving consideration to the request of the Bank of Man-
hattan Company that the Board extend until July 1, 1934, the time within
which the company may dispose of the stock of the County Trust Company,
White Plains, New York, the Board would like to be informed fully as to
the efforts which have been made by the company to dispose of the stock of
the County Trust Company in accordance with the condition of membership
prescribed by the Board, and that it will be appreciated if the agent will
develop the matter with the bank and advise the Board in detail at an early
date. In this connection, the reply also advised that the Board feels that
the possibility that legislation might be enacted at some future date under
which the bank might retain the County Trust Company as a branch is not in
itself a justification at this time for granting the extension which has
been requested. The reply also added that with regard to the condition of
membership relating to the bank's stock owned or held by it as collateral,
it should be pointed out that the charging off of such stock, or of loans
secured by it, does not constitute a correction of the situation and that
the bank should continue its efforts to effect the necessary correction as
soon as it is practicable to do so.

Approved.

Letter dated May 25, 1933, to the Chairman of the Committee on
Banking and Currency of the Senate, approved by four members of the Board,
replying to a letter dated May 13 from the Acting Clerk of the Committee requesting a report on S. 1639, a bill to establish a Federal Credit Union System and for other purposes, and on S. 1640, a bill to amend section 13 of the Federal Reserve Act by authorizing Federal reserve banks to receive deposits from credit unions. The reply reviewed the provisions of the two bills referred to and stated that, for the reasons outlined in the letter, the Federal Reserve Board does not favor the enactment of S. 1640 or the provisions of S. 1639 which have to do with the Federal reserve banks.

Approved.

Reply on May 25, 1933, approved by four members of the Board, to a letter addressed to the Secretary of the Treasury under date of May 1, 1933, by Congressman Ray P. Chase and referred to the Federal Reserve Board for reply, with regard to letters received by Congressman Chase from the Fidelity State Bank of Minneapolis, Minnesota, concerning the capital required of State banks for membership in the Federal Reserve System. The reply referred to the Acts of March 4, 1923, and February 25, 1927, liberalizing the capital requirements for membership and stated that the Board would not feel justified in approving a change in the law which would result in a reduction in the present requirements. With regard to a suggestion of the State bank that the amount of capital required of member banks should not be based on the size of the city in which it is located but on the amount of deposits which the bank may have, the reply stated that the capital now required by law is the minimum required capital and, as the deposits of a bank increase, it should, of course, increase its capital so as to maintain at all times a proper and safe ratio between its
capital and deposits so as to afford adequate protection for its depositors.

Approved.

Memorandum dated May 23, 1933, from Mr. Smead, Chief of the Division of Bank Operations, recommending approval of the request of the Federal Reserve Banks of New York and Cleveland for a reduction from two days to one day in the interdistrict time schedule for cash items from New York to Cleveland and from Cleveland to New York; the recommendation having been approved by three members of the Board on May 25, 1933.

Approved.

Report of Standing Committee dated May 25, 1933, recommending approval of the following change in stock at a Federal reserve bank:

<table>
<thead>
<tr>
<th>Application for ORIGINAL Stock:</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>District No. 8. Planters National Bank, Mena, Arkansas.</td>
<td>33 33</td>
</tr>
</tbody>
</table>

Approved.

Thereupon the meeting adjourned.

Approved:

 Secretary.

 Governor.