

A meeting of the Federal Reserve Board was held in Washington on Thursday, June 1, 1933, at 12:00 noon.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. Miller
Mr. James
Mr. O'Connor

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. McClelland, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Paulger, Chief of the Division of Examinations.

The Board considered and acted upon the following matters:

Telegraphic reply on May 31, 1933, approved by five members of the Board, to a telegram of that date from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, stating that the board of directors of the bank, at its meeting on that date, voted to reduce the rediscount rate of the bank to 3%, effective on the first business day following that on which approved by the Federal Reserve Board. The reply stated that the Federal Reserve Board approves for the Federal Reserve Bank of Boston a rediscount rate of 3%, effective June 1, 1933.

Approved.

Memorandum dated May 26, 1933, from Mr. Morrill recommending that, effective May 29, 1933, Mrs. Margaret F. Raynor be appointed as a stenographer in the Secretary's office, with salary at the rate of \$1,600 per annum, less a deduction pursuant to the Act of March 20, 1933, now 15%, to fill the vacancy caused by the transfer of Mr. E. A. Sheafe to the Division of Examinations, approval of which is also recommended.

Approved.

Bond, in the amount of \$50,000, executed on May 23, 1933, by Mr.

6/1/33

-2-

J. R. McCravey, Jr., as Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of Atlanta.

Approved.

Reply on May 31, 1933, approved by five members of the Board, to a letter dated May 26 from Mr. Newton, Federal Reserve Agent at Atlanta, recommending approval by the Board of a salary at the rate of \$2,400 per annum, effective as of July 1, 1933, for Mr. J. R. McCravey, Jr., Acting Assistant Federal Reserve Agent at the Atlanta bank. The reply stated that the Board approves the salary as recommended.

Approved.

Letter dated May 31, 1933, to Mr. Gilbert, Deputy Governor of the Federal Reserve Bank of New York, approved by five members of the Board, stating that, in accordance with the recommendation contained in his letter of May 22, the Federal Reserve Board approves changes in the personnel classification plan of the bank to provide for the discontinuance of the position of "chief" in the remittance accounts division of the check department, and for an increase of from \$2,600-\$2,800 to \$2,600-\$3,000 in the salary range of the position of "senior clerk" in the remittance accounts section of the transit division of the same department.

Approved.

Letter dated May 31, 1933, to Mr. Dillard, Deputy Governor of the Federal Reserve Bank of Chicago, approved by four members of the Board, stating that, in accordance with the recommendation contained in his letter of May 22, 1933, the Federal Reserve Board approves a salary at the rate of \$2,280 per annum for Mr. Osborn Miller Chaney, who has been appointed to the appraised position of special collection agent in the failed banks

6/1/33

-3-

division of the discount department of the bank, effective June 1, 1933.

Approved.

Letter dated May 31, 1933, to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, approved by five members of the Board, stating that, in accordance with the recommendation contained in his letter of May 22, 1933, the Federal Reserve Board approves a change in the personnel classification plan of the bank to provide for a change in the title of the position "assistant bank examiner" to "assistant examiner".

Approved.

Letter dated May 31, 1933, to Mr. Newton, Federal Reserve Agent at Atlanta, approved by four members of the Board, replying to his letter of May 18 in which he advised that, at the meeting of the board of directors of the bank on May 12, 1933, after carefully considering the Federal Reserve Board's letter of April 29, 1933, X-7425, the directors went on record as favoring the principle that the relationship of debtor and creditor between officers and heads of departments of Federal reserve banks and their member banks is undesirable, but, in order that the policy resulting from such a declaration of principle may not fall unduly hard on officers and heads of departments having existing loans, if any, it was agreed that a reasonable time should be given the makers to liquidate such loans and that, in determining what constitutes a reasonable time, it was agreed that all facts and circumstances should be considered, although officers and heads of departments who may have existing loans should liquidate them as soon as possible without entailing undue hardship upon the makers. The reply requested that the agent advise whether the action taken contemplates the submission to the directors of reports as suggested in the Board's letter, covering indebtedness not only to member

6/1/33

-4-

banks but to other creditors (with the exception noted in the Board's letter as to personal and household expenses) and whether it is intended to apply to other employees of the bank holding responsible positions in addition to officers and heads of departments. The letter also stated that the Board would like to be advised also of the consideration given to the suggestion contained in its letter that officers, heads of departments and other employees holding responsible positions in the Federal reserve banks, as well as Federal reserve agents and members of their staffs, should give their entire time to the affairs of the bank and not be identified with any outside business interests, and of the arrangements which have been made to advise the Board of outside business associations, if any, of such persons connected with the Federal Reserve Bank of Atlanta.

Approved.

Reply on May 26, 1933, approved by four members of the Board, to a telegram dated May 23 from Mr. Wood, Federal Reserve Agent at St. Louis, referring to the request contained in the Board's letter of April 29, 1933, X-7425, for a report as of July 1, 1933, showing any indebtedness of the Federal reserve agent and members of his staff, and stating that it is assumed that this report should not include the general auditor of the bank and his staff. The reply stated that the agent's assumption is correct, but that, in the event action is taken by the board of directors to require that reports be submitted to it, in line with the suggestion contained in the Board's letter, information as to any indebtedness of the auditor of the bank and his staff should be included in such reports.

Approved.

Telegram to Mr. Stevens, Federal Reserve Agent at Chicago, referring

6/1/33

-5-

to the application of the State Bank of Kewaunee, Wisconsin, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw and that, accordingly, upon surrender of the Federal Reserve Bank stock issued to the State Bank of Kewaunee, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Letters dated May 26, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by four members of the Board, referring to Assistant Federal Reserve Agent Fletcher's letters of April 26 and 27, 1933, transmitting the applications for membership in the Federal Reserve System filed by the Peoples Deposit Bank and Trust Company, Paris, Kentucky, and the Bank of Commerce, Lexington, Kentucky. The letters inclosed copies of memoranda prepared by the Board's Division of Examinations, summarizing the information submitted in connection with the respective applications and stated that, in view of the many unsatisfactory features in the condition of the institutions, as detailed in the memoranda, the Board feels that it is not warranted in approving the applications at this time, and that the agent is requested to suggest to the banks the withdrawal of the applications. The letters also stated that the Board will be pleased to consider new applications from the banks when, in the agent's opinion, the institutions have effected a correction of, or a material improvement in, the criticized features of their condition and that, in the event later applications are submitted, the Board desires that they be based upon and accompanied by the reports of complete examinations of the institutions, preferably by a representative of the agent's examining staff, each of which reports should include detailed

6/1/33

-6-

information with regard to the management and condition of the bank's trust department.

Approved.

Telegram dated May 29, 1933, to Mr. Wood, Federal Reserve Agent at St. Louis, approved by four members of the Board, referring to the application for membership in the Federal Reserve System of the South Side Bank and Trust Company, St. Louis, Missouri, which institution was organized to take over the Lafayette-South Side Bank and Trust Company, and stating that the Board feels that the condition of the institution under the proposed plan of reorganization would not be satisfactory in view of the large amount of slow assets, low ratio of liquidity, and large investments in affiliated corporations, including the ownership of the capital stock of the South Side National Bank, and that any plan of reorganization should provide for an entire divestment by the State bank of its investment in, and control of, the operations of the national bank. The telegram also stated that advice has been received from the Reconstruction Finance Corporation that it is making further investigation of the condition of the assets of the bank before participating in the reorganization of the Lafayette-South Side Bank and Trust Company, and that it is felt that action should be deferred upon the application for membership until the Board has been advised of a definite plan with regard to the reorganization on a sound basis of the State bank and its affiliated national bank and until such plans have been approved by all parties at interest. The telegram suggested that the agent keep in touch with the local agency of the Reconstruction Finance Corporation and the bank, advising the Board when a definite plan of reorganization has been approved, and furnishing the Board with full details of such plan, together with his recommendation and

6/1/33

-7-

an opinion of counsel as to whether any agreement to be entered into pursuant to any such plan will be legally binding on all of the parties interested.

Approved.

Reply on May 27, 1933, approved by four members of the Board, to a letter dated May 18 from Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta, in which he referred to a letter addressed to the Board by Governor Black on May 8, 1933, with regard to the renewal of certain notes of the Georgia Savings Bank and Trust Company of Atlanta, Georgia, which institution withdrew from membership in the Federal Reserve System on May 4, 1933, and stated that, if the Board has no objection, the notes will be carried as demand obligations. The reply stated that the Board is in agreement with this procedure, but feels that every reasonable effort should be made to liquidate the indebtedness as soon as possible without causing any hardship or undue inconvenience to the trust company. The reply also referred to the inquiry contained in Mr. Johns letter as to whether the Federal Reserve Board desires to be informed as to the status of these loans at the expiration of 90 days from May 9, 1933, and stated that the request contained in the Board's telegram of February 6, 1933, that the matter be brought to its attention if the advances were not repaid nor demand for payment made by May 9, was made because of the requirement then contained in section 10(b) of the Federal Reserve Act that such advances be approved by the Federal Reserve Board, but that inasmuch as that requirement has been removed from the section by section 402 of the Act of March 9, 1933, and such advances may now be made by the Federal reserve banks without the approval of the Board, it will not be necessary, in the event the ad-

6/1/33

-8-

vances are not paid at the end of another ninety day period, to bring them to the attention of the Board.

Approved.

Letter dated May 29, 1933, to the Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of May 12 recommending approval of the application of the Central Valley National Bank, Central Valley, New York, for permission to reduce its capital stock from \$100,050 to \$66,700, to change the par value of its shares of stock from \$15 to \$10 each, and immediately to increase the capital stock from \$66,700 to \$100,000 by selling 3,330 shares of new common stock of a par value of \$10 each for \$15 a share, crediting the premium on the new stock and the released capital to its surplus or undivided profits account to be used to charge off losses in the amount of \$40,018.90 and, to the extent which the balance then remaining in the undivided profits account will permit, depreciation on securities other than those in the four highest grades. The reply advised that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the letter, and stated that, although it appears that the corrections to be effected will improve the condition of the bank and will add to the protection afforded depositors and are therefore desirable in view of the fact that the bank has already been licensed to reopen, it also appears that the condition of the bank will still be unsatisfactory after the contemplated adjustments and eliminations have been made, particularly with respect to the impairment of capital caused by bond depreciation, and that it is assumed that this feature of the case is receiving the consideration of the Comptroller's office and that all possible steps will be taken to

6/1/33

-9-

381

remedy the unsatisfactory conditions.

Approved.

Letter dated May 27, 1933, to the Comptroller of the Currency, approved by three members of the Board, replying to Acting Comptroller Awalt's memorandum of May 11 recommending approval of the application of the Frederick County National Bank, Frederick, Maryland, for permission to reduce its capital stock from \$150,000 to \$75,000 under the provisions of a plan which provided for the surrender of the entire capital stock of the institution by the present stockholders and the use of all capital funds for the elimination of criticized assets; the sale of the surrendered common stock, as reduced, at par for \$75,000; the issuance to present depositors at \$25.00 per share of preferred stock with a par value of \$15.00, to be retired at the issue price; and the waiver by depositors of 18% of their unsecured deposits, which adjustments would give the bank an unimpaired common and preferred capital stock aggregating \$150,000, a premium on the preferred stock of \$50,000, a reserve of approximately \$43,000 to provide for depreciation on securities occurring within one year from the date the bank is authorized to reopen, and permit all of the assets classified by the examiner in his report of examination of April 6, 1933, as slow, doubtful, or loss, together with all depreciation on securities shown by such report, to be eliminated. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the letter, and that it is assumed that the Comptroller's office is giving consideration to certain matters, referred to in the reply, with regard to the reorganization.

Approved.

Letter dated May 27, 1933, to the Comptroller of the Currency,

6/1/33

-10-

approved by four members of the Board, replying to his memorandum of May 22 recommending approval of the application of the First National Bank of Elkhart, Indiana, for permission to reduce its capital stock from \$300,000 to \$150,000, to change the par value of the present capital stock from \$100 to \$50 per share, and immediately to increase the common stock from \$150,000 to \$250,000 and to issue \$100,000 of preferred stock, both common and preferred stock to be sold to present shareholders on a pro rata basis, following which the bank will charge off depreciation in securities of approximately \$185,000 and doubtful paper in the amount of \$50,000. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply; that it is understood that, in the event of the retirement of any portion of the preferred stock, adequate provision will be made through the sale of additional common stock to maintain a satisfactory ratio of capital to deposits at all times; and that although it appears that the corrections to be effected will improve the condition of the bank and are therefore desirable in view of the fact that the bank has already been licensed to reopen, it also appears that the condition of the bank will still be unsatisfactory after the contemplated adjustments and eliminations have been made, particularly with respect to the impairment of the capital caused by bond depreciation, and the large volume of slow and doubtful assets remaining in the institution, and it is assumed that this feature of the case is receiving the consideration of the Comptroller's office and that all possible steps will be taken to remedy the unsatisfactory conditions.

Approved.

Letter to the Comptroller of the Currency replying to his memorandum

6/1/33

-11-

of May 12 recommending approval of the application of the First National Bank, Alden, Minnesota, for permission to reduce its capital stock from \$55,000 to \$30,000, as a part of a plan for reorganizing and reopening the bank in connection with which assets in the amount of \$75,382.60 will be eliminated. 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 dated May 29, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by four members of the Board, advising that the Federal Reserve Board has approved the application of the Washington Irving Trust Company, Tarrytown, New York, for permission to exercise fiduciary powers, provided that, prior to the exercise of any of these powers, the board of directors of the trust company shall adopt an appropriate resolution embodying acceptance of certain conditions set forth in the letter and shall transmit to the Board, through the Federal reserve agent, a copy of such resolution.

Approved.

Telegraphic reply on May 29, 1933, approved by four members of the Board, to a telegram dated May 19 from Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta, stating that the discount department of the bank has been holding notes and rediscounts of banks in conservatorship as current earning assets, accruing interest on the same as earnings in accordance with the Board's telegram of April 3, 1933, directing that this procedure be followed as to banks not licensed to reopen until such banks have been placed in process of liquidation; that the Comptroller is

6/1/33

-12-

now directing the conservator of one bank to request the reserve bank to apply the reserve account to the bank's indebtedness as of the date of the conservator's appointment; that in cases of banks in receivership the custom has been to accrue interest on obligations but to allow a partial offset by giving the receiver credit for daily balances with the reserve bank; that, if the procedure in the case of receivership is applicable in the case of a conservatorship, the bank is showing earnings which will have to be reduced when a final accounting is made with the conservator. In response to Acting Governor Johns' request for advice in this matter, the reply stated that it does not appear practicable for the time being to avoid a discrepancy between holdings of bills discounted and earnings thereon, as reported on the bank's balance sheet form 34, in cases where the reserve bank, at the request of a conservator, applies the reserve account to the indebtedness of a member bank as of a prior date, but that in order to keep any reduction in accruals to earnings at a minimum, it is suggested that no interest accruals on past due paper of banks in the hands of conservators be included in earnings on form 34.

Approved.

Telegraphic reply on May 29, 1933, approved by four members of the Board, to a telephone inquiry from Mr. Dillard, Deputy Governor of the Federal Reserve Bank of Chicago. The reply suggested that when requested by a conservator to apply the old reserve balance of a member bank to its indebtedness, whether or not as of some previous date, the Federal reserve bank give consideration to the advisability of according the bank the same treatment with regard to its reserve balance as if the bank were in the hands of a receiver. The reply also stated that such action, it is assumed, would

6/1/33

-13-

give the member bank, in the final settlement with the conservator, the benefit of its reserve balance in the reduction of its indebtedness as of the date specified without in any way impairing the position of the reserve bank with reference to the collection of the indebtedness, irrespective of whether or not the bank is subsequently placed in liquidation, and that, in cases in which it is proposed to apply reserve balances as of the date of the appointment of the conservator, the bank may wish to consider the advisability of taking such steps as may be necessary to preserve such rights as the reserve bank may have to interest accrued after that date, if the charge to reserve account has been materially delayed upon request or upon agreement with the conservator pending possible reorganization or resumption of business by the bank, or to preserve the rights of the Federal reserve bank to accrue interest in the event the bank should be subsequently permitted to resume business or should be reorganized.

Approved.

Letter dated May 27, 1933, to Congressman Dow W. Harter, approved by four members of the Board, replying to his letter of April 14, addressed to the Secretary of the Treasury and referred to the Federal Reserve Board for reply, with regard to advice received from the President of The Savings Deposit Bank Company of Medina, Ohio, that the Board requires all State banks becoming members of the Federal Reserve System to reduce the carrying value of their securities to the current market price at the time of admission, while banks which are already members are not required to carry their securities at current market value. The reply stated that section 9 of the Federal Reserve Act requires the Federal Reserve Board, in acting

6/1/33

-14-

upon the application of any State bank for membership in the Federal Reserve System, to consider, among other things, the financial condition of the applying bank; that the Board, in the light of its practical experience in the administration of the provisions of the Federal Reserve Act over a considerable period of time, has developed certain general standards with respect to the qualifications of applicant banks which it believes to be reasonable from the standpoint of the best interests of the depositors of such banks; that, among other things, on the basis of a current examination, it is the practice of the Board to require that all losses and all depreciation in securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities, together with all depreciation in stocks and defaulted securities, be charged off, and when this has been done that the assets be sufficient to provide the bank with an adequate margin of unimpaired capital stock and surplus in addition to an amount equal to its liabilities to depositors and other creditors. The reply also stated it seems to the Board that, incident to a bank's admission to the System, the depositors of the bank are entitled at least to these measures for their protection; that the Board would not be justified in lowering these standards as to applying banks merely because other banks may not be able to meet such standards in all respects; that it is felt adherence to these standards and knowledge that compliance with them is required on the part of applicant banks before they are admitted to the System will make such institutions attractive to depositors and therefore increase the desirability of membership. The

6/1/33

-15-

reply also observed that, if it becomes apparent that an applicant bank will not meet the requirements, it is the practice of the Board to permit it to withdraw its application from consideration so that it may not be subject to any embarrassment. The reply further called attention to the fact that a bank which is already a member of the System presents a different problem; that it may suffer in common with other banks from losses or depreciation in the value of its assets which may not be due to any violation of law or any regulation issued thereunder; that, in such a case, while every reasonable effort is made to bring about a correction of the unsatisfactory conditions, the character of the action taken is dependent upon the circumstances of each individual case, including the ability of the bank and its shareholders to meet requirements as to charge-offs, the raising of new money, etc., and that the Board and the Comptroller of the Currency are constantly engaged in endeavors to bring about the correction of unsatisfactory conditions in member banks, but it is apparent that the fact that the desired results cannot always be obtained is not a sufficient justification for admitting to the system other banks having similar unsatisfactory conditions.

Approved.

Letters dated May 29, 1933, to the Chairman of the Committee on Banking and Currency of the Senate, approved by five members of the Board, replying to a letter dated April 29 from the Acting Clerk of the committee, requesting reports on S. 1111, a bill to raise the commodity price level to the debt-incurrence stage and to stabilize it thereafter, and on S. 1466, a bill to provide for the regulated expansion of currency

6/1/33

-16-

and credit, to reduce the national debt, to raise the price level of commodities, and for other purposes. The replies reviewed the provisions of the bills, and stated that, in view of the provisions of the Act of May 12, 1933, it is assumed the committee will not give further consideration to the bills and that, consequently, reports thereon are unnecessary.

Approved.

Letter dated May 31, 1933, to Assistant Secretary of the Treasury Robert, approved by five members of the Board, submitting, in accordance with the request contained in his letter of May 20, 1933, a draft of a letter, for the signature of the Secretary of the Treasury, to the Chairman of the Committee on Banking and Currency of the Senate, with regard to 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 proposed letter reviewed the provisions of the bill, and stated that, for the reasons set forth in the letter, the Treasury Department does not favor its enactment.

Approved.

Letter dated May 31, 1933, to the Chairman of the Banking and Currency Committee of the Senate, approved by five members of the Board, replying to a letter dated March 25, 1933, from the Acting Clerk of the committee, requesting a report on bill S. 806, a bill to establish the "Bank of the United States" and for other purposes. The reply reviewed the provisions of the bill and stated that, for various reasons, some of which were referred to in the reply, the Board does not favor its

6/1/33

-17-

389

enactment. The reply also stated that the Board understands that the Secretary of the Treasury made a report upon the bill under date of May 3, 1933, and, in the circumstances, it is assumed that it is unnecessary for the Board to make a detailed report on the subject.

Approved.

Reply on May 29, 1933, approved by four members of the Board, to a letter addressed by the Secretary of State to the Federal Reserve Board, in response to its request, with regard to the action of the Board in making available the services of Mr. Walter R. Gardner, of the Board's Division of Research and Statistics, as a member of the staff of the American delegation at the monetary and economic conference. The letter stated that, as technical adviser on monetary and banking questions, Mr. Gardner will be expected to render such services as the delegation may require in the way of advice or preparation of material in this field; that, in connection with the suggestion that Mr. Gardner report to the Board on the monetary and financial phases of the conference, as his duties at the conference will probably be constant and arduous, it will be appreciated if the Board would not put him to any duty of making special reports directly; and that all material bearing on the monetary and financial phases of the conference which is transmitted to Washington by the delegation will be routed to the Federal Reserve Board. The reply stated that it is noted that Mr. Gardner's capacity on the staff of the delegation will be that of technical adviser on monetary and banking questions and that it is understood that, although he will remain on the Board's payroll, reimbursement of his expenses in connection with his trip abroad will be arranged by the State Department. The reply also stated that, in view of the state-

6/1/33

-18-

ments contained in the Secretary's letter, the Federal Reserve Board will not expect Mr. Gardner to undertake to keep it currently advised as to developments at the conference on monetary and financial matters, but that it will be appreciated if the Board can be promptly furnished with all material bearing on the monetary and financial phases of the conference which is transmitted to Washington by the delegation.

In connection with the above, there was also presented a letter dated May 29, 1933, to Mr. Gardner, approved by four members of the Board, stating that the Board has acquiesced in a request received from the Department of State that his services be made available as a member of the staff of the American delegation to the forthcoming monetary and economic conference; that it is understood his capacity will be that of technical adviser on monetary and banking matters; that attention is called to the fact that he will not be undertaking these services as a representative of the Federal Reserve Board, and that care should be exercised to avoid any action which might be construed as committing the Board in any way. The letter also stated that it is understood that, although Mr. Gardner will remain on the payroll of the Board, reimbursement of his expenses in connection with the trip will be arranged by the State Department.

Approved.

At this point the Chairman joined the meeting.

The Secretary presented a letter dated May 27, 1933, from Mr. Downs, Assistant Federal Reserve Agent at New York, with which he inclosed a letter dated May 26 from Mr. J. Stewart Baker, Chairman of the Bank of the Manhattan Company, New York City, New York, referring to the Board's

6/1/33

-19-

letter of May 25, 1933, and stating that, in connection with the negotiations being conducted by the bank with Mr. Alanson B. Houghton for the purchase of the stock of the Corning Trust Company and the North Side State Bank, both of Corning, New York, arrangements have been made for a current examination of the two banks and for a discussion of the value of certain assets of the banks, which will take approximately two weeks, and that if at the end of that time Mr. Houghton is unwilling to purchase the stock, there will not be a sufficient time remaining to dispose of the stock before July 1, 1933, in accordance with the bank's agreement with the Federal Reserve Board. Mr. Baker's letter also stated that, in view of the banking situation in White Plains, New York, it is felt that it will not be possible at the present time to dispose of the stock of the County Trust Company; that the only course left to the Bank of the Manhattan Company, in order to comply with the condition of membership prescribed by the Board, is to liquidate the bank; and that unless the Board grants the request contained in Mr. Baker's letter of April 18, 1933, for an extension of the time within which the bank may comply with the condition of membership referred to, it will be forced to proceed with the liquidation of the three banks.

After discussion, the Secretary was requested to address a letter to the Federal Reserve Agent at New York advising that the Board extends for a period of sixty days from July 1, 1933, the time within which the bank may dispose of the stock held by it in the three banks, and asking the agent, if at the end of that time, the Bank of the Manhattan Company has not fully complied with the condition, to bring the matter again to the Board's attention with a recommendation as to the action to be taken in the light of the circumstances then existing.

6/1/33

-20-

The Board then went into executive session, and Messrs. Morrill, Carpenter, McClelland, Wyatt, and Paulger left the room. At the conclusion of the executive session, the Governor presented, for the record, the following memorandum which had been submitted to the Board:

"Dr. Sprague, of the Treasury Department, and Governor Harrison, of the Federal Reserve Bank of New York, have been requested by the President to have a conference in London on the question of exchanges. Dr. Sprague will represent the Government in meeting representatives of the governments of France and England in such conference. In the event the governments, as a result of this conference, shall agree on a policy covering this exchange question which enlists the cooperation of the central banks of England, France, and the United States, Governor Harrison will represent the Federal Reserve Bank of New York. In this event, Governor Harrison will report to this Board the proceedings of such conference, and will keep the Board advised of the progress of such proceedings, and will submit for consideration and approval of this Board any proposed plan or plans contemplating Federal reserve bank participation."

The Governor also stated that, in connection with the appointment on May 18, 1933, of Mr. McClelland, as Assistant to the Governor, and of Mr. Carpenter, as Assistant Secretary, the Board approved a salary at the rate of \$10,000 per annum for Mr. McClelland and a salary at the rate of \$4,250 per annum for Mr. Carpenter, both effective as of June 1, 1933, and both subject to deduction pursuant to the Act of March 20, 1933, now 15%.

Reports of Standing Committee dated May 27, 29, and 31, 1933, recommending approval of the following changes in stock at Federal reserve banks:

6/1/33

-21-

<u>Applications for ORIGINAL Stock:</u>		<u>Shares</u>	
<u>District No. 4.</u>			
Pitt National Bank, Pittsburgh, Pennsylvania.		525	525
<u>District No. 8.</u>			
Prange National Bank, New Douglas, Illinois.		21	21
		<hr/>	<hr/>
		Total	546
 <u>Applications for ADDITIONAL Stock:</u>			
<u>District No. 4.</u>			
First National Bank, Shelby, Ohio. (Increase in capital)		30	30
<u>District No. 12.</u>			
Clark County National Bank, Vancouver, Wash. (Increase in capital and surplus)		51	51
		<hr/>	<hr/>
		Total	81
 <u>Applications for SURRENDER of Stock:</u>			
<u>District No. 5.</u>			
First National Bank, East Rainelle, W. Va. (V.L. Abs. by Ronceverte National Bank, Ronceverte, W. Va.)		17	17
<u>District No. 7.</u>			
First National Bank, Casey, Ill. (V.L. Suc. by First National Bank in Casey)		38	
American National Bank, Rushville, Ind. (Insolvent)		105	
Commercial State Savings Bank, Lakeview, Michigan. (Insolvent)		21	164
		<hr/>	<hr/>
<u>District No. 8.</u>			
Grant State Bank, St. Louis, Mo. (Insolvent)		180	180
<u>District No. 11.</u>			
First National Bank, Bardwell, Tex. (V.L. Abs. by Citizens National Bank in Ennis, Tex.)		29	
First National Bank, Blackwell, Tex. (V.L. Abs. by First National Bank in Bronte, Tex.)		30	
First National Bank, Burkburnett, Tex. (V.L. Suc. by The First National Bank in Burkburnett)		75	
Citizens National Bank, Ennis, Tex. (V.L. Suc. by Citizens National Bank in Ennis)		90	
First National Bank, Midlothian, Tex. (V.L. Suc. by First National Bank in Midlothian)		45	269
		<hr/>	<hr/>
<u>District No. 12.</u>			
First National Bank, Pullman, Wash. (Decrease in surplus)		30	30
		<hr/>	<hr/>
		Total	660

Approved.

6/1/33

Report of Standing Committee dated May 25, 1933, recommending approval of the following Clayton Act application:

Mr. Will E. Keller, for permission to serve at the same time as director of the El Paso National Bank of El Paso, Texas, and as director of the Seaboard National Bank of Los Angeles, California.

Approved.

Thereupon the meeting adjourned.

Walter Merrill
Secretary.

Approved:

E. R. Black
Governor.