

A meeting of the Federal Reserve Board was held in Washington on Saturday, June 3, 1933, at 11:15 a. m.

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, Division of Examinations  
Mr. Chamberlin, Federal Reserve Examiner.

Governor Black called attention to the fact that there were brief statements in some of the newspapers this morning in regard to Governor Harrison's trip to Europe and that in view of the fact that the Governors of the other Federal reserve banks had not been fully advised as to the reasons for, or purpose of, Governor Harrison's trip, it had been suggested that the Federal Reserve Board send out to the Federal reserve banks a statement covering the matter. Governor Black pointed out, however, that, since Governor Harrison's trip to Europe was a result of a request from the President of the United States and not of any action of the Federal Reserve Board, there was a question in his mind as to whether the Board should issue any statement and stated that, if it should seem advisable to do so, he would bring the matter to the attention of the Board again.

Governor Black also reported that Mr. Burgess, Secretary of the Open Market Policy Conference, called him on the telephone this morning and advised that the executive committee of the conference had determined to purchase \$22,000,000 of Government securities during the current statement week, bringing the purchases for last week and this week up to a total of \$50,000,000.

The Governor then stated that the Old-Merchants National Bank and

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Trust Company of Battle Creek, Michigan, which was licensed by the Secretary of the Treasury to reopen following the bank holiday, has been experiencing severe withdrawals; that the Federal Reserve Bank of Chicago and the Reconstruction Finance Corporation have extended all of the assistance that they could to meet the situation; and that it has now been decided in order to prevent the closing of the institution and in the interest of the general banking situation of the city, to organize a new national bank, which it is hoped will be ready to open for business on Monday morning, June 5, 1933, to take over the business of the Old-Merchants National Bank and Trust Company and the City National Bank and Trust Company of Battle Creek, which also was licensed to resume normal banking operations. Governor Black stated that he had participated in discussions with the Comptroller of the Currency and representatives of the Treasury Department and the Reconstruction Finance Corporation regarding the organization of the new bank and the matter of rendering whatever assistance is necessary to the new institution, and that a plan had been suggested which provides that, if the new bank is organized, the Federal Reserve Bank of Chicago will render such assistance as it can with safety in the form of 10(b) loans, and the Reconstruction Finance Corporation will extend such further credit as may be required to meet the demands made upon the bank.

The tentative plans for the organization of the new bank, Governor Black advised, provide for a capital of \$2,000,000 of first preferred stock to be subscribed by the Reconstruction Finance Corporation, and \$2,000,000 of second preferred stock and \$250,000 of common stock to be subscribed by local interests, which would give the bank an aggregate capital structure of \$4,250,000. The capital structures of the old banks of approximately \$3,300,000 are to be used to take out criticized assets, but the proposed capital structure of the new institution may be reduced by further losses of the old banks to the extent of about \$700,000.

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The Governor called attention to the fact that both of the old banks have authority to exercise trust powers and stated that it is understood that application will be made to the Board, for and on behalf of the new bank, for permission to exercise full trust powers, effective if and when the bank is authorized by the Comptroller of the Currency to commence business.

Mr. Paulger informed the Board that there have been no recent examinations of the old banks, but that the examination of the City National Bank and Trust Company as of October 4, 1932, shows the bank as having trust accounts in the total amount of \$760,000 with no criticisms other than the manner in which the records of the department were kept, which was being corrected at the time of the examination, and that the report of examination of the Old-Merchants National Bank and Trust Company as of October 7, 1932, shows that institution as having trust accounts in the total amount of \$9,440,000 with no criticisms of the manner in which the department was conducted.

In the ensuing discussion it was pointed out that in considering the application for trust powers, the Board might (1) approve the application, (2) authorize the new institution to take over the trust accounts in which the old banks are now acting, or (3) defer action on the application until the bank is in actual operation and the Board has received definite information as to its condition and as to the proposed management of the trust department. It was pointed out, however, that, in view of the emergency nature of the situation, it might be desirable to approve the application, effective if and when the bank is authorized by the

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Comptroller of the Currency to begin business.

At the conclusion of the discussion, Mr. Miller moved that Governor Black be authorized, in the event the anticipated application for trust powers for the new bank is received before Monday, June 5, (1) to approve the application effective if and when the bank is authorized by the Comptroller to commence business, (2) to authorize the new bank to administer the trusts taken over from the old institutions, or (3) to defer action, whichever course appears to be the most desirable in the light of the emergency circumstances under which the new bank is being organized.

Carried.

Governor Black stated that, if agreeable to the Board, he would like to have Miss Daisy Callahan, his former secretary, appointed as Secretary to the Governor of the Federal Reserve Board, with salary at the basic rate of \$3,600 per annum.

Accordingly, effective as of the date upon which she assumes her duties, Miss Callahan was appointed Secretary to the Governor, with salary at the rate of \$3,600 per annum, less a deduction pursuant to the Act of March 20, 1933, now 15%.

Thereupon the meeting adjourned.

Robert Howell  
Secretary.

Approved:

E. Black  
Governor.