

A meeting of the Federal Reserve Board was held in Washington on Thursday, June 8, 1933, at 11:30 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. Wingfield, Assistant Counsel
Mr. Siems, Federal Reserve Examiner

The Board considered and acted upon the following matters:

Telegraphic replies on June 7, 1933, approved by five members of the Board, to telegrams of that date from the Chairmen of the Federal Reserve Banks of Philadelphia and St. Louis, stating that the boards of directors, at meetings on that date, voted to establish a rediscount rate of 3%, effective the first business day following that on which approved by the Federal Reserve Board. The replies stated that the Board approves for the Federal Reserve Banks of Philadelphia and St. Louis a rediscount rate of 3%, effective June 8, 1933.

Approved.

Telegrams dated June 7 and 8, 1933, from the Chairmen of the Federal Reserve Banks of Dallas and Richmond, respectively, advising that their boards of directors, at meetings on the dates stated, made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated June 7, 1933, from Mr. Morrill requesting authority to employ temporarily two painters, at the per diem rate paid

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by the Government for this class of help, for the purpose of painting the vice governor's office.

Approved.

Letter dated June 6, 1933, to Mr. Netterstrom, Assistant Deputy Governor of the Federal Reserve Bank of Chicago, approved by five members of the Board, stating that, in accordance with the recommendation contained in his letters of May 10, the Federal Reserve Board approves changes in the personnel classification plan of the bank and its Detroit branch to provide for five new positions in various departments of the head office and seven new positions in various departments at the branch, and for the discontinuance of three positions and a change in title of three positions in the check department, for a change in the title of one position in the Federal reserve agent's department, and an increase in the salary range of one position in the investment department, all at the head office. The letter also stated that, in view of the statement contained in Mr. Netterstrom's letter of May 29 that when a successor has been appointed to succeed Mr. Jarvis, formerly assistant cashier at the Detroit branch, consideration will be given to having some of the duties of the chief clerk and accountant in the administrative department of the branch absorbed by such officer, and that the latter job will then be reanalyzed, the Board approves the present salary of \$3,600 now paid to Mr. A. H. Vogt as chief clerk and accountant, but suggests that the position be designated as "appraised" until such time as it is reanalyzed and the duties to be assigned thereto redetermined.

Approved.

Reply, approved by five members of the Board, to a letter dated

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May 22 from Mr. Peyton, Federal Reserve Agent at Minneapolis, stating that, subject to approval by the Federal Reserve Board, he has appointed Mr. William J. Stutzman as an examiner in the Federal reserve agent's department of the bank, with salary at the rate of \$3,600 per annum. The reply stated that the Board approves the appointment of Mr. Stutzman, at the salary named.

Approved.

Letter dated June 6, 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 Mr. Mosher's letter of January 17, 1933, the Board under date of January 26, 1933, approved the payment to Mr. Andreas Ueland, Counsel for the Minneapolis bank, of a retainer fee of \$5,000 and an allowance of \$4,000 for office expense for the year 1933; that it now appears from Mr. Mosher's letter of May 8, 1933, that the bank regards Mr. Sigurd Ueland as Assistant Counsel and that the statement inclosed with Mr. Mosher's letter of January 17 should have provided for the payment of a retainer fee of \$5,000 to Mr. Andreas Ueland, Counsel, and for an office expense allowance of \$4,000 to Mr. Sigurd Ueland as Assistant Counsel, although on page 5 of the examination report of the bank, dated March 22, 1933, it is stated that the firm of Ueland and Ueland is retained as counsel at an annual retainer fee of \$9,000 with an allowance of \$4,000 for office expense. The letter also stated that, in order to clarify this situation, it is requested that the chairman advise the Board of the exact nature of the action taken on this subject by the board of directors of the bank, as recorded in the minutes of the regular meeting

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in December, 1932, and that if there is any inconsistency between that record and the schedule of salaries for 1933, submitted in Mr. Mosher's letter of January 17, and approved by the Federal Reserve Board, or, if the board of directors desires to make any change in the existing arrangements as shown by those records, it is suggested that appropriate action be taken by the directors definitely fixing the status of counsel and the amount of the retainer fee and allowance for office expense to be paid to Mr. Andreas Ueland and to Mr. Sigurd Ueland, or to the firm of Ueland and Ueland, and that such action be submitted to the Board for approval.

Approved.

Reply on June 6, 1933, approved by five members of the Board, to a letter dated May 26 from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, advising that the board of directors of the bank was not prepared, at its meeting on that date, to take definite action in connection with the Board's letter of April 29, 1933, (X-7425), with regard to indebtedness of officers, heads of departments, and other employees occupying responsible positions, it being the feeling of the directors that the prohibition of any borrowing may work an unnecessary hardship in perfectly legitimate cases. The reply stated that the Board's letter did not contemplate that the directors should adopt a policy of entirely prohibiting borrowing by officers, heads of departments or employees in responsible positions, but expressed the view that they should not incur any indebtedness, directly or indirectly, to member banks, their subsidiaries or affiliates; that they should refrain from incurring any indebtedness to others except for legitimate and necessary purposes;

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and that when indebtedness is incurred by them (excluding current bills for ordinary personal and household expenses) it should promptly be reported to the board of directors of the Federal reserve bank. The reply also stated that the Board feels the adoption of the suggested policy would tend not only to give assurance of proper relations between the officers and employees of a Federal reserve bank and its member banks, but also to protect the officers and employees of the Federal reserve bank in any case where a question might arise as to whether they have acted in an impartial manner toward any member bank; and, furthermore, that such a policy would place the board of directors promptly in possession of information, to which it is entitled, which it may consider as to whether indebtedness incurred by an officer or employee may jeopardize his usefulness. The letter referred to the statement of the agent that this matter will be given further consideration by the directors upon receipt of reports requested from the officers and employees of the bank of their indebtedness as of July 1, 1933, and stated that it is assumed that the view of the Board, as stated above, will be brought to the attention of the directors and that the agent will advise the Board of the action taken by them in the matter.

Approved.

Letter dated June 7, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by five members of the Board, referring to the application of the Ohio-Merchants Trust Company, Massillon, Ohio, for membership in the Federal Reserve System, and requesting, in view of the unsatisfactory features of the condition of the company as outlined in

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the letter, that the agent suggest to the trust company that it withdraw the application pending the results of its further operations and material improvement in its condition, and that, if, after six months have elapsed, a complete examination of the company by a Federal reserve examiner, independently of or in cooperation with State bank examiners, determines its assets to be sound and its condition otherwise such that the agent can recommend favorably another application for membership, the Board will be glad to give it consideration.

Approved.

Letter to Mr. Case, Federal Reserve Agent at New York, approved by five members of the Board, replying to his letter of April 21 and to Mr. Dillistin's letter of April 14 with regard to the application for membership in the Federal Reserve System filed by the County Trust Company of New York, New York. The reply noted that the institution did not fully comply with the condition of membership with regard to charging off two loans classified as losses and stated that, inasmuch as it appears that the bank has charged off more assets in the aggregate than was required by the Board, has provided a reserve against one of the loans referred to, and anticipates early liquidation of the other, the Board will not insist upon the elimination of the loans at this time, but that the agent is requested to follow up the matter at the next examination of the institution and, if it is found that the loans have not been liquidated or satisfactorily secured, they should be eliminated. The letter also stated that as counsel for the Federal reserve bank is of the opinion that the adoption by the executive committee of the trust

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company of the resolution accepting the conditions of membership prescribed by the Board was within the powers of the committee as set out in the bank's by-laws, it will not be necessary to require a resolution of the board of directors accepting the conditions of membership.

Approved.

Reply on June 6, 1933, approved by five members of the Board, to a letter dated May 18 from Mr. Peyton, Federal Reserve Agent at Minneapolis, inquiring whether a proposed new bank, to be formed upon the consolidation of certain State banks in Montana, may become a member of the Federal Reserve System and, as a member, may operate two of the consolidating institutions as branches. The reply stated that the provisions of section 9 of the Federal Reserve Act, as amended, provide that no State bank may retain or acquire stock in a Federal reserve bank except upon relinquishment of any branch or branches established after February 25, 1927, beyond the limits of the city, town or village in which the parent bank is situated, and that since the proposed branches are not within the same municipal limits as the parent bank and were not branches of the parent bank or of any other bank on February 25, 1927, they cannot be regarded as branches established prior to that date, and, accordingly, it is the opinion of the Board that the consolidated bank would not be eligible under the present law for membership in the Federal Reserve System if it should retain and operate the proposed branches. The reply also stated that the present law in this respect may be changed by the so-called Glass bill so that the proposed new institution, under certain conditions set forth in the letter, may be eligible for membership

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notwithstanding the operation by it of branches.

Approved.

Reply on June 6, 1933, approved by five members of the Board, to letters dated April 7 and 10, 1933, from Mr. Case, Federal Reserve Agent at New York, with which he transmitted copies of letters dated April 4 and 8, 1933, from the president of the First Citizens Bank and Trust Company, Utica, New York, with regard to the condition of that institution as reflected in reports of its examination as of May 4 and November 7, 1932. The reply stated that the Board's records in connection with the admission of the company to membership in the Federal Reserve System do not contain any information that the institution at the time of its admission was engaged in the business of issuing and selling mortgage bonds or participations, either directly or through an affiliated corporation, but it would seem from the analysis of report of examination of November 7, 1932, that the trust company is now engaged in such business, which is a change in its functions contrary to the spirit and purpose of the general condition under which it was admitted to membership, if not an actual violation thereof. The reply requested that the agent acquaint the bank with the Board's views with regard to mortgage participations, that he advise the Board as to what liability, if any, the bank may have on participation certificates sold, and whether it is actively engaged at the present time in transacting that type of business, and that he furnish the Board with an expression of his views as to any action which can be taken appropriately at this time, either by the Board or by the agent's office, in connection with this particular activity of the institution. The reply also stated that, in

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view of the unsatisfactory condition of the member bank and the many problems confronting it, the Board will await with interest further advice from the agent as to the progress made by the bank in effecting improvements in, or corrections of, its criticized matters.

Approved.

Reply on June 6, 1933, approved by five members of the Board, to a letter dated April 20 from Mr. Case, Federal Reserve Agent at New York, transmitting a copy of a letter dated April 15 from the president of the Northern New York Trust Company, Watertown, New York, with regard to the various matters affecting the condition of that company which were the subject of the Board's letter to the agent of February 9, 1933. The reply referred to various matters in connection with the bank's condition, including a cash contribution of \$750,000 made by the Marine Midland Corporation to the trust company, the company's investment of trust funds in mortgage participations sold by it, and the institution's holdings of stock of the Marine Midland Corporation and securities of F. L. Carlisle and Company, and requested that the agent advise the Board of any progress made by the institution toward effecting further corrections in its condition. The reply also stated that it is assumed the agent's office is developing, and will forward to the Board in the near future, the information requested in its letter of February 9, 1933, with regard to the extent of the control of, or their interest in, banking institutions by Messrs. F. L. Carlisle and H. E. Machold.

Approved.

Letter to Mr. Case, Federal Reserve Agent at New York, approved by five members of the Board, with regard to an analysis of the report

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of examination as of January 21, 1933, of the Columbus Trust Company, Newark, New Jersey. The letter noted that the trust company owns 1,872 shares of the outstanding stock of the affiliated Columbus Mortgage & Title Insurance Company, and requested information regarding the condition of the affiliated company, the scope of its operations, and its relationships with the member institution. The letter also suggested that the agent consider the advisability of discussing with the Commissioner of Banking and Insurance of the State of New Jersey, or the trust company directly, the desirability of effecting a material strengthening of its management.

Approved.

Letter dated June 6, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by five members of the Board, replying to a letter dated May 26 from Assistant Federal Reserve Agent Dillistin with regard to the intention of the Power City Trust Company, Niagara Falls, New York, to reduce its capital stock from \$4,000,000 to \$2,000,000, such reduction to be applied to surplus and reserve accounts. The reply stated that, while under the law the Board's approval of the proposed capital stock reduction is not required, it has considered the information submitted in connection with the plan of reduction and in the circumstances will offer no objection to the transaction. The letter also stated that, in the event an examination of the institution is not contemplated within the near future, the Board will be glad to receive a statement of condition of the company showing the effect of the reduction in its capital stock.

Approved.

Letter dated June 7, 1933, to Mr. McKay, Deputy Governor of the Federal Reserve Bank of Chicago, approved by five members of the Board,

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stating that, in view of the circumstances outlined in his letter of May 27 with regard to the Crossman & Williams State Bank, Williamston, Michigan, the Board approves the recommendation that no penalties be assessed against the bank for deficiencies in reserves incurred during the semi-monthly period ending April 30 and during the month of May, 1933.

Approved.

Letter dated June 6, 1933, to the First National Bank, Chicago, Illinois, approved by five members of the Board, stating that the Federal Reserve Board has approved the application filed by the 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 Illinois, 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.

Letter to Mr. Curtiss, Federal Reserve Agent at Boston, approved by five members of the Board, stating that the Board has considered again the application of the Gloucester National Bank, Gloucester, Massachusetts, for full trust powers, but, in view of the condition of the institution as disclosed in the report of its examination as of March 9, 1933, together with the agent's recommendation and that of the Comptroller of the Currency, the Board is unwilling to approve the application. The letter also stated that the Board will be glad to consider another application from the bank

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when, in the agent's opinion, it has effected a correction of the unsatisfactory features of its condition.

Approved.

Letter dated June 6, 1933, to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, approved by five members of the Board, referring to the report of examination of that bank made by the Board's examiners as of March 22, 1933, and requesting that the chairman furnish the Board with certain information in connection with various matters discussed in the letter, and that the report and the letter, together with the chairman's reply, be brought to the attention of the board of directors of the Federal Reserve Bank of Minneapolis.

Approved.

Telegram dated June 6, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by four members of the Board, stating that the Board has received advice from the Department of Justice that, in the course of an investigation under the direction of that department of alleged criminal irregularities at the Federal National Bank of Boston and related institutions, it becomes important for Mr. Harry Coonin, and other accountants of the Department of Justice working with him, to examine reports made by Federal reserve examiners of the examinations of the Inman Trust Company of Cambridge, Massachusetts, formerly a member of the Federal Reserve System, and requesting that the agent arrange to afford the representatives of the Department of Justice access to the records of the Federal reserve bank relating to such investigation.

Approved.

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Reply to a letter dated May 5 from Mr. Austin, Federal Reserve Agent at Philadelphia, requesting advice as to whether a bank whose capital and/or surplus is impaired should, in applying for additional Federal reserve bank stock, make such application on the basis of its capital and surplus as carried on its books or the amount of its unimpaired capital and surplus. The reply stated that, while any impairment in the capital stock or surplus of a bank should be corrected as soon as possible, the Board feels that, for purposes of determining the amount of Federal reserve bank stock for which a bank should subscribe, its application should be based on the amount of the issued and paid-in capital stock of the bank, together with the amount at which its surplus is carried on the books of the bank, rather than on the basis of the bank's unimpaired capital stock and surplus.

Approved.

Reply on June 6, 1933, approved by five members of the Board, to a memorandum dated May 15 from Senator Carter Glass referring to the Board for consideration a letter dated May 12 from Dr. M. K. Knauff, St. Paul, Minnesota, with regard to the basis adopted by State and national banks for the computation of interest on collateral loans. The reply stated that, apparently, the general banking custom of computing discount or interest on the basis of 30 days to a month and 360 days to a year originated as a matter of convenience, and became more and more firmly established as bankers became accustomed to the use of interest tables for calculating discount on a 360-day rather than a 365-day basis; that the custom is now well established in certain communities; and that it would appear that appropriate legislative action would be a prerequisite to any change. The reply also referred to the fact that the Federal Reserve

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Board has no authority under the law to require a national or State member bank to adopt any particular basis for the computation of interest or discount on loans made to its customers, but stated that, in the case of Federal reserve banks, the Board some years ago addressed a letter to the governor of each bank requesting that interest or discount on all paper discounted for member banks and on all rediscounts between Federal reserve banks be computed on a 365-day basis; that this uniform method of computing interest was put into effect on July 1, 1919; and that to date no change in that method has been authorized by the Federal Reserve Board. The reply further stated that the Board's request, however, did not involve a change in the then existing practice of calculating on a 360-day basis interest or discount on acceptances purchased in the open market by Federal reserve banks; that bankers' acceptances are customarily drawn for periods of 30, 60 and 90 days, etc., and the discount or interest on such acceptances as are bought and sold in the principal markets is regularly computed on the basis of 360 days to the year; and that, accordingly, an exception was made in respect to the computation of interest on acceptances purchased by Federal reserve banks in the open market in order to conform to the existing well-established and uniform practice in effect among dealers in acceptances of computing interest thereon on a 360-day basis.

Approved.

Letter dated June 6, 1933, to Congressman Wright Patman, approved by five members of the Board, replying to his letter of May 15 requesting advice as to the number of permits granted under the provisions of section 8 of the Clayton Antitrust Act during the year 1931, the procedure followed in connection with violations of that act, the amount of bills discounted

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by all Federal reserve banks during 1932, and as to what is included in the item "Other Insurance \$419,504" as shown in the Board's annual report for 1931.

Approved.

There were then presented letters dated May 19 and 29, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, stating that, subject to approval by the Federal Reserve Board of the provision affecting salaries, the boards of directors of the New York bank and the Buffalo branch had voted to continue the share-the-work plan in effect at the head office and the Buffalo branch until action is taken terminating the plan, it being contemplated that, while the plan is in effect, the working time of each employee will continue to be reduced as far as practicable by one-half day per week or an equivalent amount of time, that the salaries of the officers and employees of the bank shall be reduced 4%, and that the temporary employment of the additional people added to the staff, in accordance with the plan, shall be continued. Governor Black stated that he is opposed to the continuance of the share-the-work plan on the basis which has been adopted at several of the Federal reserve banks and that he feels the matter should be fully discussed by the Board at the proper time.

After discussion, the Secretary was requested to advise the Federal Reserve Bank of New York that, pending further consideration of the questions of policy involved in the continuance of the share-the-work plan on the basis which has been adopted at several of the Federal reserve banks, the Board offers no objection to the continuance of the plan at that bank and the Buffalo branch for a period of sixty days from May 15, 1933, and approves the salary payments involved in the employment during that period of the additional employees added to the staff in accordance with the plan.

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Reference was then made to the proposed condition of membership which was considered at the meeting of the Board on June 5, 1933, and which would require banks admitted to membership in the Federal Reserve System to maintain an amount of unimpaired capital and surplus which would be adequate in relation to deposit liabilities. It was stated, for the information of the Board, that the proposed condition has been discussed with the Federal reserve agents or assistant Federal reserve agents at Philadelphia, Cleveland, Richmond, and Chicago, all of whom feel that the Board should prescribe a standard condition of this kind and that the proposed standard condition is a desirable one. The proposed condition was further discussed, but action on the matter was again deferred.

At this point Mr. John S. Wood, Chairman and Federal Reserve Agent at the Federal Reserve Bank of St. Louis, Mr. William McC. Martin, Governor of the Federal Reserve Bank of St. Louis, Mr. A. F. Bailey, Managing Director of the Little Rock branch, and Mr. L. H. Bailey, Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of St. Louis, joined the meeting.

Reference was made to the applications for membership in the Federal Reserve System filed by the Bankers Commercial Trust Company, the Peoples Bank, and the Union Bank, all of Little Rock, Arkansas, and to the plans under which those institutions were organized, and the Board asked for a statement of the views of the Federal reserve agent and the bank as to the ability of the management of the applicant banks and the prospects of future success of these institutions in the light of the past history of the old banks and prevailing conditions in Arkansas.

Governor Martin reviewed briefly the banking history in Little Rock

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during the recent period and the efforts which were made following the banking holiday to consolidate all of the banks in Little Rock. He stated that, when such a consolidation was found to be impossible, an attempt was made to consolidate the three remaining banks, the W. B. Worthen Banking Company in the meantime having been licensed by the Secretary of the Treasury to reopen, and that, when this suggestion failed, the plan under which the three new banks were organized was determined upon.

With regard to the management of the new banks, Messrs. Wood and Martin stated that the management of the Bankers Commercial Trust Company has been strengthened by the addition of a new president who has been successful in his own business and who will give as much time to the management of the new institution as may be necessary; that six new directors have been added and that all of the directors of the Bankers Commercial Trust Company who were in an involved situation which might result in embarrassment to the new bank have been eliminated. Governor Martin stated that the president of the Union Bank is believed to be as good a man from a management standpoint as is available at the present time, that his record as president of the Union Trust Company is not unsatisfactory, and that the weaknesses in the personnel and board of directors of the bank are believed to have been eliminated. He added that, while the management of the Peoples Bank is the weakest of the three new institutions, it is believed it will be considerably strengthened by the active participation in the affairs of the bank of Mr. W. C. Lenon, Sr., who was the inactive chairman of the Peoples Trust Company, but when he was actively participating in the management of that institution had operated the bank successfully.

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Governor Martin further stated that a number of country banks which ordinarily keep accounts in Little Rock hesitate to deposit their funds in a nonmember bank and a great deal of importance, therefore, will be attached to the action on the applications of the three new institutions for membership, that, while the plan under which the banks were organized is not all that could be desired, it has resulted in removing over \$9,000,000 of unsatisfactory assets and in placing the new institutions in a liquid and sound condition, and it is felt that, as there is a reasonable chance that they will be able to operate with a degree of success, they should be admitted to membership in the Federal Reserve System.

It was pointed out by some of the members of the Board that, with the possible exception of the Peoples Bank which is reported to have sold \$50,000 of its stock to local interests, while it appears to be contemplated that the stock of the banks will be sold to local interests as soon as possible, none of the stock, other than directors' qualifying shares, is held at present by the directors or officers of the banks, so that their interest in the successful operation of the institutions cannot be expected to be as great as it should be under the conditions existing. Reference was made to the requirement of section 9 of the Federal Reserve Act that the Board consider the general character of the management of a bank applying for membership, as well as its financial condition, and to pending legislation providing for the insurance of deposits of member banks, and the view was expressed that, even though a bank might be in good condition at the time of its application for membership, unless the Federal Reserve Board is satisfied that the management of the applicant is capable of conducting its affairs

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successfully and maintaining the soundness of the institution, the Board would not be justified in approving the application.

At 1:20 p. m. the meeting adjourned and reconvened at 2:40 p. m. with the same attendance as at the morning session.

There was further discussion of the management of the three Little Rock banks. Mr. Wood stated, as his reasons for recommending approval of the applications, that the banks are in good condition at the present time and that it is believed that they will be soundly managed although he was not entirely satisfied as to all of the personnel of the management of the Peoples Bank.

Reference was then made to the applications for membership in the Federal Reserve System filed by the Guaranty-Plaza Trust Company, St. Louis, Missouri, and the Bank of Edwardsville, Illinois, which were submitted to the Federal Reserve Board by the Federal Reserve Agent at St. Louis with the recommendation that action on the first application be deferred to afford the trust company an opportunity to present another plan of reorganization and that the second application be approved. Governor Black presented memoranda prepared by the Board's Division of Examinations in connection with these applications, and stated that the recommendation of that division with regard to the application of the Guaranty-Plaza Trust Company is in agreement with the recommendation of the Federal Reserve Agent, and that the division's recommendation on the application of the Bank of Edwardsville is that action be deferred until the bank has had an opportunity to demonstrate its ability to operate successfully and to correct the existing unsatisfactory elements of its condition.

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All of the members of the Board present stated that they approved the recommendations of the Division of Examinations, and Governor Black stated that the Federal Reserve Bank of St. Louis would be advised formally of this action.

Messrs. Wood, Martin, Bailey, and Bailey then left the meeting.

Mr. Morrill called attention to the feeling expressed by a majority of the members of the Board at the meeting on June 5, 1933, that should the Bankers Commercial Trust Company, the Union Bank, and the Peoples Bank, all of Little Rock, Arkansas, be admitted to membership they should be required to discontinue, prior to admission, their connection with the affiliated companies organized to handle the real estate, rental, and insurance departments of the old banks. Governor Black and Mr. Hamlin stated they favored approval of the applications of the three banks, subject to this condition.

Mr. James stated that, as the management of the three institutions is not satisfactory, as the prospects for the success of the banks, even with proper management, is not encouraging, and as conditions now existing in, and the outlook for the near future of, the territory served by the banks in Little Rock do not, in his opinion, afford an opportunity for profitable operation of as many banks as have been organized in Little Rock, he is not in favor of approving the applications. He also referred to a statement made by Governor Martin during the meeting that, in his opinion, until a member bank seeks to borrow from the Federal reserve bank, the Federal reserve bank has no authority in the management of the bank or in its credit policies, and Mr. James stated that, until the attitude of the Federal Reserve Bank of St. Louis is changed in this regard, the applications should not, in his opinion, be approved.

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Mr. O'Connor stated that he would hesitate to approve the applications for the reasons, first, that the State of Arkansas, after issuing bonds, appropriated the funds provided for their retirement for other purposes, which has resulted in depreciation in the securities to one-fifth their par value and in creating a dangerous and harmful situation in the State and in the banks which purchased the bonds, which situation should first be corrected by the reestablishment of the credit of the State by its legislature, and, secondly, there is not sufficient interest shown by the directors and officers of the applicant banks in that they have no financial interest in the institutions, except the qualifying shares held by the directors.

Mr. Miller stated that he did not favor the approval of the applications at this time, but suggested that the banks be advised that, if desired, the Board, of course, will consider new applications from the banks when the managements of the respective institutions have demonstrated their ability successfully to operate the banks.

Accordingly, Governor Black was requested to advise Mr. Wood that the Board is unwilling to approve the applications at this time and to suggest the withdrawal of the applications, advising the applicants that the Board will be glad to consider new applications when the managements of the respective institutions have demonstrated their ability successfully to operate the banks.

Governor Black then stated that he has kept in constant touch with the discussions of plans to organize a new bank in Battle Creek, Michigan, to take over the business of the Old-Merchants National Bank and Trust Company, and the City National Bank and Trust Company, and that, while negotiations are still being conducted, no definite conclusion has been reached.

Reports of Standing Committee dated June 5, 6, 7, and 8, 1933, recommending approval of the following changes in stock at Federal reserve banks:

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<u>Applications for ORIGINAL Stock:</u>		<u>Shares</u>	
<u>District No. 4.</u>			
First National Bank in Sewickley, Pennsylvania.	120		
First National Bank in Latrobe, Pennsylvania.	<u>150</u>		270
<u>District No. 6.</u>			
Capital National Bank in Jackson, Mississippi.	240		240
<u>District No. 7.</u>			
Community National Bank & Trust Company of Knoxville, Ia.	45		45
<u>District No. 12.</u>			
First National Bank, Chico, California.	105		105
	<u>Total</u>		<u>660</u>

<u>Applications for ADDITIONAL Stock:</u>			
<u>District No. 1.</u>			
Rumford National Bank, Rumford, Maine.			
(Increase in capital, preferred)	15		
Souhegan National Bank, Milford, N. H.			
(Increase in capital, preferred, partly offset by decrease in surplus)	66		
First National Bank, Montpelier, Vt.			
(Increase in capital, preferred)	150		
Clement National Bank, Rutland, Vt.			
(Increase in capital)	<u>135</u>		366
<u>District No. 7.</u>			
National Bank of Bay City, Bay City, Mich.			
(Increase in surplus)	3		
Merchants National Bank, South Bend, Ind.			
(Increase in capital, preferred)	<u>90</u>		93
<u>District No. 8.</u>			
First National Bank, Carlyle, Ill. (Increase in capital, preferred, partly offset by decrease in surplus)	43		
Farmers National Bank, Grayville, Ill. (Increase in capital, preferred, partly offset by decrease in surplus)	23		
Old National Bank in Evansville, Ind. (Increase in capital, preferred, partly offset by decrease in surplus)	240		
First National Bank, Oakland City, Ind. (Increase in capital, preferred, partly offset by decrease in surplus)	21		
First National Bank, Petersburg, Ind. (Increase in capital, preferred, partly offset by decrease in surplus)	48		
First National Bank, Spurgeon, Ind. (Increase in capital and surplus)	16		

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 8. (Continued)</u>		
Citizens National Bank, Tell City, Ind. (Increase in capital, preferred, partly offset by decrease in surplus)		16
Farmers National Bank, Wadesville, Ind. (Increase in capital, preferred, partly offset by decrease in surplus)		12
Union National Bank, Providence, Ky. (Increase in capital, preferred)		18
Mechanics Bank and Trust Co., Moberly, Mo. (Increase in surplus)		1
		<hr/> 438
		Total 897

<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 4.</u>			
First National Bank, Massillon, Ohio. (Insolvent)		309	309
<u>District No. 7.</u>			
Delaware County National Bank, Muncie, Ind. (V.L. Abs. by Merchants National Bank of Muncie, Ind., and the Merchants Trust and Savings Bank of Muncie, Ind., nonmember)		270	
First National Bank-Detroit, Detroit, Mich. (Insolvent)		37,200	
Guardian National Bank of Commerce, Detroit, Mich. (Insolvent)		<u>13,200</u>	50,670
<u>District No. 8.</u>			
Laclede Trust Company, St. Louis, Mo. (Insolvent)		240	240
<u>District No. 9.</u>			
First State Bank, Opheim, Mont. (Insolvent)		15	
State Bank of Revere, Revere, Minn. (Insolvent)		<u>36</u>	51
<u>District No. 10.</u>			
First National Bank, Lyman, Nebr. (V.L. Abs. by First National Bank in Morrill, Nebr.)		17	17
		<u>Total</u>	<u>51,287</u>

Approved.

Reports of Standing Committee dated June 6, 1933, recommending approval of the following Clayton Act applications:

Mr. Eugene J. Buffington, for permission to serve at the same time as director of the Continental Illinois National Bank and Trust Company of Chicago, Illinois, as director of the Gary State Bank of Gary, Indiana, and as director of the South Chicago Savings Bank of Chicago, Illinois.

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Mr. William F. Hayes, for permission to serve at the same time as director of the Continental Illinois National Bank and Trust Company of Chicago, Illinois, and as director and officer of the Lake View Trust & Savings Bank of Chicago, Illinois.

Mr. Donald R. McLennan, for permission to serve at the same time as director of the Continental Illinois National Bank and Trust Company of Chicago, Illinois, and as director of the First National Bank of Lake Forest, Illinois.

Mr. Herman Waldeck, for permission to serve at the same time as director and officer of the Continental Illinois National Bank and Trust Company of Chicago, Illinois, and as director of the South Chicago Savings Bank of Chicago, Illinois.

Approved.

Thereupon the meeting adjourned.

Oester Morrell
Secretary.

Approved:

E. R. Black
Governor.