

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, June 15, 1933, at 11:45 a. m.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. James

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. McClelland, Assistant to the Governor

Governor Black reported the developments in the banking situation at Battle Creek, Michigan, following the closing on June 13, 1933, of the Old-Merchants National Bank and Trust Company, as well as the steps which have been taken to assist the two remaining banks to meet withdrawals resulting from such closing and in an effort to make available to depositors a portion of the deposits in the closed bank. He stated that the Federal Reserve Bank of Chicago had done everything it possibly could to help in the situation, that he had been in constant communication with Chairman Jones of the Reconstruction Finance Corporation and representatives of the Federal Reserve Bank of Chicago, and that he feels that the Federal Reserve System had been of all possible assistance in attempting to find a solution of the difficult banking problem in Battle Creek.

Governor Black also stated that on Tuesday, June 13, 1933, Governor Calkins of the Federal Reserve Bank of San Francisco called him on the telephone with regard to the Anglo California National Bank of San Francisco, California, which has \$5,000,000 in rediscounts and \$14,000,000 of 10(b) loans with the Federal Reserve Bank of San Francisco, and a \$14,000,000 loan with the Reconstruction Finance Corporation; Governor Calkins stating that the national bank feels that if it is required to show a large amount of borrowings in its condition report at the time of the expected June 30

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call, it may result in the closing of the bank. The Governor stated that he had been in communication with the Reconstruction Finance Corporation regarding the matter and that, in addition to a loan, to be negotiated through a mortgage company, which has now been approved by the Reconstruction Finance Corporation in an amount up to \$35,000,000, the question of issuing preferred stock is under consideration as a further step in meeting the situation. Governor Calkins had advised, Governor Black stated, that in taking the matter up he was not prompted by any concern as to the advances made to the national bank by the Federal reserve bank, but rather by the position of the member bank.

Governor Black then advised that he had received a letter dated June 9, 1933, from Mr. George S. Harris tendering his resignation as a Class C director of the Federal Reserve Bank of Atlanta and giving as his reason for such action the fact that after July 1 he will no longer be a resident of the district. Governor Black stated that he has requested Mr. Newton, Chairman and Federal Reserve Agent at Atlanta, to come to Washington to discuss certain matters, and that, if it is agreeable, he would like to have action deferred on Mr. Harris' letter until after Mr. Newton's visit.

Action was deferred accordingly.

Mr. James advised that Mr. Marion Wasson, Commissioner of the State Banking Department of Arkansas, is in Washington and would like to discuss with the Board the question of admission to membership of the Bankers Commercial Trust Company, the Union Bank, and the Peoples Bank, all of Little Rock, Arkansas, whose applications for membership were considered recently by the Board. Mr. James stated that he had informed Mr.

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Wasson that, because of the absence of certain members of the Board, a quorum was not available at the present time, and he suggested that, if agreeable to the members present, he would advise Mr. Wasson that the Board will be glad to meet with him on Tuesday, June 20, 1933, at 10:30 a. m., when it is anticipated that a quorum of the Board will be present. The other members concurred in this suggestion.

Mr. Morrill stated that Deputy Governor Rounds of the Federal Reserve Bank of New York had called him on the telephone in connection with the report that the Reconstruction Finance Corporation proposed to reduce the interest rate charged on loans made by the corporation; Mr. Rounds stating that he thought consideration should be given to the desirability of the Federal Reserve Bank of New York making a like reduction in its rate on 10(b) loans. Mr. Morrill stated that he had discussed the matter with the Secretary of the Reconstruction Finance Corporation who advised that the proposed reduction had not yet been made effective and that there were under consideration certain conditions that might be imposed in connection with the reduction. Mr. Morrill added that upon receipt of this information Mr. Rounds stated that consideration of the matter at the New York bank would be deferred.

Mr. Morrill then referred to Senate Resolution 75, approved on May 29, 1933, which requests the Board to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each Federal reserve bank and member bank of the Federal Reserve System. Mr. Morrill stated that, while the request has not yet been transmitted formally to the Board, it involves a number of questions which are being considered so that when the request

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is received the matter can be presented promptly to the Board for consideration.

Mr. James then referred to the memorandum received by the Board under date of May 29, 1933, from the Under Secretary of the Treasury, advising that no additional space is available at this time in the Treasury Building which could be assigned to the Federal Reserve Board. Mr. James stated that, in view of the provisions of the Glass Bill, he feels that the Treasury Department is now under no obligation to furnish space to the Board; that, if adequate space in the Treasury Building is not available, arrangements should be made immediately by the Board to obtain space elsewhere which will be adequate to house its activities; and that, with that thought in view, he had requested Mr. Morrill to prepare a memorandum to the Secretary of the Treasury, in reply to Under Secretary Acheson's memorandum, for consideration by the Board.

The Committee then considered and acted upon the following matters:

Telegraphic reply on June 9, 1933, approved by five members of the Board, to a telegram of that date from Mr. Williams, Chairman of the Federal Reserve Bank of Cleveland, stating that the board of directors, at its meeting 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 reply stated that the Board approves for the Federal Reserve Bank of Cleveland a rediscount rate of 3%, effective June 10, 1933. It was understood that the new rate is to apply to all rediscounts for member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act and to advances to member banks under the provisions of the eighth paragraph of section 13.

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Letter dated June 8, 1933, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated June 8, 1933, from the Secretary of the Federal Reserve Bank of Kansas City, June 9, 1933, from the Chairman of the Federal Reserve Bank of Atlanta, June 12, 1933, from the Secretary of the Federal Reserve Bank of Minneapolis, and June 14, 1933, from the Chairman of the Federal Reserve Bank of Boston, all advising that their boards of directors, at meetings on the dates stated, made no changes in the banks' existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated June 12, 1933, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, because of her continued illness, Miss Nora V. Elder, an employee in the division, be granted leave without pay for an additional period of two months, from July 1 to August 31, 1933, inclusive.

Approved.

Memorandum dated June 12, 1933, from Mr. Smead, Chief of the Division of Bank Operations, recommending the acceptance, as of the close of business on June 15, 1933, of the resignation of Miss Edith Brooks, a temporary employee in the division.

Approved.

Reply on June 12, 1933, approved by five members of the Board, to a letter dated June 5 from Mr. Stevens, Federal Reserve Agent at Chicago, stating that the services of Mr. C. L. Pitman, an examiner in the agent's department, have been so satisfactory that he has been placed in charge of the bank's reorganization work in Michigan and that, in order to bring his salary in line with his advanced work, it is recommended that the salary

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be increased from \$3,800 to \$4,300 per annum, effective June 15, 1933. The reply stated that the Federal Reserve Board approves the increased salary as recommended.

Approved.

Telegraphic reply to a telegram dated June 14, 1933, from Mr. Stevens, Federal Reserve Agent at Chicago, recommending the temporary appointment of Messrs. J. C. Smith and C. P. Vanzante as examiners in the Federal reserve agent's department of the Federal Reserve Bank of Chicago, with salary at the rates of \$5,000 and \$4,000 per annum, respectively. The reply stated that the Board approves the appointments as recommended and at the salaries named.

Approved.

Letter dated June 13, 1933, to Mr. McClure, Federal Reserve Agent at Kansas City, approved by four members of the Board, stating that, in accordance with the recommendation contained in his letter of June 6, the Federal Reserve Board approves changes in the personnel classification plan of the Federal Reserve Bank of Kansas City to provide for the establishment of the new positions of acting assistant Federal reserve agent at the Denver, Oklahoma City, and Omaha branches.

Approved.

Reply on June 9, 1933, approved by five members of the Board, to a telegram dated June 6 from Mr. Newton, Federal Reserve Agent at San Francisco, stating that, subject to the approval of the Federal Reserve Board, Mr. Charles P. Weigand has been reappointed temporarily as an examiner in the agent's department, with salary at the rate of \$300 per month. The reply stated that it is assumed that the appraisal of the assets

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of the Wingfield banks, for which purpose Mr. Weigand was released, has now been completed, and that, as stated in its telegram of May 10, 1933, the Board approves the reappointment of Mr. Weigand for a further temporary period.

Approved.

Reply to a letter dated June 13, 1933, from Mr. Williams, Chairman of the Federal Reserve Bank of Cleveland, advising that, at the meeting of the board of directors of the bank on June 9, it was voted to continue in operation for the period from June 15 to December 31, 1933, the share-the-work plan which has been in effect at the bank since December 16, 1932, and requesting that the Board approve such extension of time. The reply stated that the Board is giving consideration to the general policy involved in the continuance of the share-the-work plans now in effect at several of the Federal reserve banks, and for that reason is not prepared at this time to approve for the remainder of the current year the payment of salaries under the plan adopted by the Federal Reserve Bank of Cleveland, but that, pending determination of the matter, the Board offers no objection to the continuance of the plan at the head office and branches for an additional period, ending July 31, 1933, and approves the payment during that period of salaries in accordance with the plan.

Approved.

Reply on June 14, 1933, approved by three members of the Board, to a letter dated June 8 from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, advising that, at the meeting of the board of directors of the bank on June 7, it was voted, subject to the approval of the Federal Reserve Board, that the share-the-work plan now in effect at the

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bank be continued for an additional six months period ending December 31, 1933, and that the present salaries of officers and employees be continued for the remainder of the current year subject to deductions under the share-the-work plan. The reply stated that the Federal Reserve Board is giving consideration to the general policy involved in the continuance of the share-the-work plans in effect at several of the Federal reserve banks and for that reason is not prepared at this time to approve salary payments under the plan adopted at the bank for the remainder of the current year, but that, pending determination of the matter, the Board offers no objection to the continuance of the plan at the Federal Reserve Bank of Dallas and its branches during the month of July and approves the payment of salaries during that period in accordance with the plan.

Approved.

Reply on June 12, 1933, approved by four members of the Board, to letters dated June 2 and 6 from the Chairman of the Federal Reserve Bank of Boston, with regard to the action taken by the board of directors of the bank, at its meeting on May 31, 1933, on the suggestion contained in the Board's letter of April 29, 1933, X-7425, with regard to indebtedness of officers and employees of Federal reserve banks. The reply noted that the report of the committee of directors, which was accepted by the board of directors, provides for the submission to the chairman of a statement by each officer and employee of the bank that his total indebtedness as of July 1, 1933, other than for ordinary personal and household expenses, is not in excess of ten per cent of his annual salary, and an agreement that he will promptly report any indebtedness incurred by him in the future which will bring his total indebtedness at any one time to an amount exceeding

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ten per cent of his annual salary, or, in cases where the indebtedness of the officer or employee on July 1, 1933, is in excess of ten per cent of his annual salary, for the submission of a statement as to the nature and total amount of the debt, and an agreement to report promptly any obligations incurred in the future which will bring his total indebtedness to an amount exceeding ten per cent of his annual salary, and all new obligations contracted with any member bank. The reply also stated that, inasmuch as the directors have approved the principle that officers and employees should not incur any indebtedness to a member bank, either directly or indirectly, it would seem to be desirable that reports be made promptly by officers and employees in responsible positions covering all indebtedness incurred by them to member banks, or to the subsidiaries or affiliates of such banks, regardless of whether such indebtedness is in excess of ten per cent of the annual salary; that it does not appear that the form of statement to be submitted by officers and employees whose indebtedness on July 1, 1933, does not exceed ten per cent of the annual salary calls for such reports; and that the agent may wish to give further consideration to this point.

Approved.

Reply on June 14, 1933, approved by three members of the Board, to a letter dated June 6 from Mr. Wood, Federal Reserve Agent at St. Louis, stating that the City of Texarkana, Arkansas, has appointed Mr. Stuart Wilson, a director of the Little Rock branch, as a member of the joint fire commission of Texarkana, Arkansas, and Texarkana, Texas, and recommending that Mr. Wilson be permitted to serve in that capacity while acting as a director of the branch. The reply noted that the purpose of the commission

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is to select and recommend the appointment of a fire chief and to make other recommendations to the city councils for the proper administration of the fire department of the two cities, and that the appointment is not considered to be political in any way, and stated that it is assumed that the position does not carry any compensation. The reply also stated that, in view of these circumstances, it is felt that the appointment does not come within the scope of the resolution adopted by the Board on December 23, 1915, with regard to political affiliations of directors of Federal reserve banks and their branches, and that, accordingly, the Board will interpose no objection to Mr. Wilson retaining the position while serving as a director of the Little Rock branch.

Approved.

Telegrams dated June 14, 1933, to the respective Federal reserve agents, approved by three members of the Board, stating that, subject to the conditions contained in the individual telegrams, the Board approves the applications of the following State banking institutions for membership in the Federal Reserve System and for the number of shares of Federal reserve bank stock to which each of the applicants will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective:

| <u>Name of Bank</u> | <u>Federal Reserve Bank</u> |
|---|-----------------------------|
| Bank of Russellville, Ohio. | Cleveland |
| The Bank of St. Albans, West Virginia. | Richmond |
| Farmers and Mechanics Bank, West Point, Virginia. | Richmond |
| The Peoples Savings Bank, Clanton, Alabama. | Atlanta |
| Citizens State Bank of Walnut, Illinois. | Chicago |
| Davenport Bank and Trust Company, Davenport, Iowa. | Chicago |
| Metamora State Bank, Metamora, Illinois. | Chicago |

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| <u>Name of Bank</u> | <u>Federal Reserve Bank</u> |
|--|-----------------------------|
| State Bank of Niantic, Illinois. | Chicago |
| Bank of Carthage, Missouri. | Kansas City |
| State Security Bank, Brigham City, Utah. | San Francisco |

Approved.

Telegrams to the respective Federal reserve agents stating that, subject to the conditions prescribed in the individual telegrams, the Board approves the applications of the following State banking institutions for membership in the Federal Reserve System and for the number of shares of Federal reserve bank stock to which each of the applicants will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective:

| <u>Name of Bank</u> | <u>Federal Reserve Bank</u> |
|---|-----------------------------|
| Bank of Adairsville, Georgia. | Atlanta |
| Danforth Banking Company, Washington, Illinois. | Chicago |
| Cashmere Valley Bank, Cashmere, Washington. | San Francisco |

Approved.

Telegraphic reply on June 9, 1933, approved by three members of the Board, to a letter dated June 7 from Mr. Hoxton, Federal Reserve Agent at Richmond, recommending that the Bank of Glade Spring, Virginia, be granted an extension of time in which to dispose of its holdings of stock of the Farmers Exchange Bank of Abingdon, Virginia, as required by one of the conditions under which it was admitted to membership in the Federal Reserve System. The reply noted that the bank has made arrangements to dispose of 40 per cent of its holdings of such stock, in accordance with the condition of membership, and stated that the Board grants the bank an additional sixty days from June 10, 1933, in which to dispose of the remain-

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ing 60 per cent.

Approved.

Reply on June 14, 1933, approved by three members of the Board, to a letter dated June 5 from Mr. Hoxton, Federal Reserve Agent at Richmond, inclosing a copy of a letter dated June 3 from the Lynchburg Trust and Savings Bank of Lynchburg, Virginia, requesting that it be permitted to set up reserves in the amounts of \$61,821.29, covering doubtful and loss items, and \$50,276.20, covering depreciation on securities below the four highest grades as a compliance with the condition of membership imposed by the Board requiring that these items be charged off. The reply stated that the Board will accept as a compliance with its condition the establishment of valuation reserves, which, for all statement purposes, should be used as deductions from the assets accounts to which they are applicable, provided, however, that such reserves shall not, except with the permission of the Federal Reserve Board, be used for any other purpose. The reply also requested that the agent advise the Board regarding the action taken by the Lynchburg Trust and Savings Bank in this connection and the amount of reserves established in lieu of specific charge-offs.

Approved.

Reply on June 12, 1933, approved by five members of the Board, to a letter dated May 8 from Mr. Walsh, Federal Reserve Agent at Dallas, submitting a recommendation of the board of directors of the Federal Reserve Bank of Dallas that the First State Bank of Leakey, Texas, be cited to appear to show cause why its membership in the Federal Reserve System should not be terminated, on account of a violation of the general condition of membership under which it was admitted to membership; the bank having permitted its

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assets to get into a generally unsatisfactory condition. The reply referred to the Board's letter of December 29, 1930, requesting that, if possible, in cases of this kind, the agent base his recommendation on violations of the Federal Reserve Act rather than solely upon a violation of the general condition of membership, and stated that, before action is taken by the Board, it will be appreciated if the agent will advise whether the member bank has been guilty of violations of any of the provisions of the Federal Reserve Act as distinguished from conditions of membership. The reply also requested that the agent communicate with the First State Bank of Leakey with a view of ascertaining whether the bank would be willing to withdraw voluntarily from the Federal Reserve System and, if so, whether it will request the Board to waive the six months notice usually required, in order that its withdrawal will be expedited.

Approved.

Letter dated June 14, 1933, to Mr. Walsh, Federal Reserve Agent at Dallas, approved by three members of the Board, referring to the analysis of the report of examination of the Forney State Bank, Forney, Texas, as of March 28, 1933, on which the agent had indicated that in his opinion no action should be taken by the Board on account of the bank's condition. The letter also referred to the proceedings instituted by the Federal Reserve Board to determine whether the membership of the State bank should be terminated, and to the Board's letter of November 1, 1932, requesting that the agent submit with his analysis of the next report of examination of the institution a recommendation of the board of directors of the Federal Reserve Bank of Dallas regarding the action to be taken by the Board in the matter,

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and stated that it is assumed that the directors concur in the agent's opinion that no action is necessary under the proceedings which have been instituted. The letter also requested that the agent submit to the Board a more detailed report as to corrections effected in the bank's condition since the examination of March 28, 1933, including any adjustments which were made incident to its reopening after the national moratorium, together with advice as to whether there has been any change in the management of the bank and, if not, whether the institution, in the agent's opinion, will be a satisfactory member of the Federal Reserve System under its present management.

Approved.

Telegram dated June 10, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by three members of the Board, referring to Assistant Federal Reserve Agent Young's telegram of that date with regard to the proposed reorganization of the Old State Bank, Fremont, Michigan, including (in the event the bank is unsuccessful in collecting the remainder of a 100% stock assessment, \$52,500 of which had been paid in) a reduction in the bank's capital from \$75,000 to \$50,000, and stating that it appears from Mr. Young's telegram and from telephone conversations with him that the reorganized bank will be under capable management and its condition will be satisfactory, all losses, depreciation and doubtful assets having been eliminated. The telegram also stated that, in view of such information, the Board will offer no objection to a reduction in the bank's capital in the amount indicated if this is found to be necessary, upon the understanding that, in the agent's opinion, the reduced capital will be adequate for the operation of the bank.

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Telegram dated June 14, 1933, to the Federal reserve agents at all Federal reserve banks, approved by three members of the Board, referring to inquiries received by the Board from banks whose applications for membership have been approved subject to acceptance of a condition requiring the charge-off or elimination of depreciation on securities below the four highest grades as shown by the last report of examination of the respective institutions, as to whether appreciation in such securities after such examination and before admission to membership constitutes elimination within the meaning of the Board's condition. The telegram stated that if, in any such case, the agent finds that the bank's request is justified, after having made a reappraisal on the basis of a detailed current list of its investments, he is authorized to require the charge-off of the remaining depreciation in lower grades after due allowance for appreciation shown by such reappraisal, including net appreciation, if any, in the four higher grades, and that, in such case, the appreciation will be regarded by the Board as an elimination in accordance with the terms of the condition and it will not be necessary to obtain the Board's permission unless it is felt that there are exceptional circumstances requiring special consideration by the Board, in which case all the facts should be submitted with the agent's recommendation. The reply also stated that, in every case where depreciation upon which the Board's condition is based is eliminated by subsequent appreciation, a report should be forwarded to the Board setting forth the basis upon which the reduced charge-off has been made.

Approved.

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Letter dated June 10, 1933, to the Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of June 6 recommending approval of the application of the First National Bank, Morristown, New Jersey, for permission to reduce its capital stock from \$200,000 to \$100,000, to change the par value of its present stock from \$100 to \$25 a share, and to immediately increase its capital from \$100,000 to \$250,000 by the sale of 6,000 shares of new stock of the par value of \$25 each at \$75 a share, the released capital of \$100,000 and the premium on the new stock to be credited to undivided profits and used in charging off \$400,000 of estimated losses and bond depreciation. The reply stated that the Federal Reserve Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply.

Approved.

Letter dated June 13, 1933, to the Comptroller of the Currency, approved by three members of the Board, replying to his memorandum of June 5 recommending approval of the application of the Liberty National Bank, Oklahoma City, Oklahoma, for permission to reduce its capital stock from \$1,200,000 to \$600,000, and to immediately increase the capital from \$600,000 to \$1,700,000 by the sale of preferred stock at par for cash to the Reconstruction Finance Corporation and to holders of common stock, the released capital of \$600,000 to be credited to surplus or undivided profits and, together with \$180,000 from the present surplus, and \$20,000 from the present reserve for losses and depreciation, used to charge off losses and doubtful assets amounting to \$800,000. The reply stated that the Federal Reserve Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply. The reply also stated

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that, although the corrections to be effected will materially 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 appears that the condition of the institution will still be unsatisfactory after the contemplated adjustments and eliminations have been made, inasmuch as bond depreciation, not provided for in the proposed eliminations, is sufficient to slightly impair capital, and there will be a large aggregate of slow and doubtful assets and a substantial investment in banking house and furniture and fixtures remaining in the institution; 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 remedy the unsatisfactory conditions.

Approved.

Letter dated June 12, 1933, to Mr. Hoxton, Federal Reserve Agent at Richmond, approved by five members of the Board, with regard to the condition of the Bank of Commerce & Trusts, Richmond, Virginia, as disclosed by an analysis of report of examination of the bank as of January 30, 1933. The letter referred to, and requested further information regarding, the institution's ownership of the entire capital stock of the Mortgage Investment Company, a subsidiary engaged in the business of issuing mortgage notes; the bank's ownership of 100 shares of stock in the Three State Investment Corporation; the generally frozen condition of the bank's assets; the question of further dividend payments, the steady increase during recent years of the bank's other real estate account; and other matters in connection with the bank's condition. The letter also stated that the Board will be interested to know whether the agent has

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discussed with the Commissioner of Insurance and Banking, or the institution directly, the features of the bank's condition which were subjected to criticism, and to receive advice of any improvement in the condition of the bank which may have been effected as the result of any such discussion or otherwise.

Approved.

Letter dated June 12, 1933, to Mr. G. S. Nichols, Conservator of the First National Bank and Trust Company of Highland Falls, New York, approved by five members of the Board, referring to the resolution adopted by the board of directors of the bank signifying the bank's desire to surrender its right to exercise the trust powers previously granted by the Board. The letter stated that it is understood that the institution has been discharged or otherwise relieved in accordance with law of all of its duties as fiduciary, and that the Board, therefore, has issued a formal certificate to the national bank certifying that it is no longer authorized to exercise any of the fiduciary powers granted under the provisions of section 11(k) of the Federal Reserve Act, which certificate was inclosed with the letter. The letter also called attention to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, when such a certificate has been issued by the Federal Reserve Board to a national bank, it is no longer subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, is entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and may not exercise any of the powers granted by section 11(k) of the Federal Reserve Act except

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with the permission of the Federal Reserve Board.

Approved.

Reply to a letter dated June 8, 1933, from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, advising that, in accordance with the suggestion contained in the Board's telegram of May 11, 1933, the by-laws of the Houston branch have been amended so as to make the appointment of an assistant cashier at the branch optional with the directors of the Federal Reserve Bank of Dallas. The reply stated that the Board approves the amendment referred to.

Approved.

Letter dated June 10, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by four members of the Board, stating that the Federal Reserve Board approves the application of the Methuen National Bank of Methuen, Massachusetts, for 47 additional shares of stock of the Federal Reserve Bank of Boston. The letter also referred to the question raised in Assistant Federal Reserve Agent Gettemy's letter of May 18, 1933, and advised 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 its issued and paid-in capital stock, together with the amount at which its surplus is carried on its books, rather than on the basis of the bank's unimpaired capital stock and surplus.

Approved.

Reply on June 12, 1933, approved by five members of the Board,

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to letters dated April 26 and 27, 1933, from Mr. Fry, Assistant Federal Reserve Agent at Richmond, transmitting applications of the National Loan and Exchange Bank of Columbia, South Carolina, and of the Farmers and Merchants National Bank of Onley, Virginia, for the cancellation of 90 shares and 60 shares, respectively, of stock of the Federal Reserve Bank of Richmond, and raising a question as to the disposition which should be made of the proceeds of this stock when canceled. The reply referred to the fact that each of the banks is in the hands of a conservator appointed by the Comptroller of the Currency under the provisions of the Bank Conservation Act, and stated that it is the Board's view that an application for the cancellation of Federal reserve bank stock in these circumstances should be made by the conservator rather than by an officer of the bank under authority of a resolution of its board of directors, and suggested that there be returned to each of the banks named the application submitted, with the advice that the application should be made by the conservator. The reply also stated that the office of the Comptroller of the Currency advises that it is desirable that a conservator of a national bank obtain the permission of the Comptroller before making an application for the purpose in question and suggested that the conservator in each case be so advised. In connection with the question raised by counsel for the Richmond bank as to the proper disposition of the proceeds of the Federal reserve bank stock in these cases, the reply stated that, in view of the provisions of the Bank Conservation Act and sections 5 and 6 of the Federal Reserve Act, it is the opinion of the Board that the Federal Reserve Bank of Richmond may properly apply the amount due to the member bank by reason of the cancellation of

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Federal reserve bank stock to the amount of the member bank's indebtedness to the reserve bank.

Approved.

Telegram dated June 9, 1933, to the Federal reserve agents at all Federal reserve banks, approved by four members of the Board, stating that, effective immediately, the printed lists of member and nonmember banks that have resumed banking operations, and weekly supplements thereto, which have been furnished to the Board in accordance with its telegram of March 14, 1933, may be discontinued by the Federal reserve banks; that, in view of the discontinuance of these lists, the Board desires that the data now being reported weekly in response to its telegram of April 13, 1933, be expanded to cover national banks; and that, accordingly, the agents are requested to mail to the Board, for each week ending Wednesday, beginning with the week ending June 7, to reach Washington not later than the following Monday, a statement showing changes affecting the following lists, which have been maintained by the Board on the basis of data received either in response to its telegrams of March 14 or April 13: (A) national banks (1) licensed to resume full banking operations and (2) not licensed, (B) State bank members (1) licensed to resume full banking operations, (2) operating under restrictions, and (3) not in actual operation but not formally placed in liquidation or receivership, and (C) nonmember banks (1) licensed to resume full banking operations, (2) operating under restrictions, and (3) not in actual operation but not formally placed in liquidation or receivership. The telegram also stated that the statement should show the effective date of each change, and that the agents should continue to report by telegraph, in accordance with the Board's telegram of April 13, the name and location

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of each bank which (1) suspended or went into liquidation after resuming full banking operations, (2) suspended or went into liquidation after resuming operations on a restricted basis or without having resumed any banking operations, and (3) was placed on a restricted basis after having resumed full banking operations.

Approved.

Governor Black then stated that, in accordance with the suggestion previously made, he had addressed letters on June 13, 1933, to the governors of all Federal reserve banks, including Deputy Governor Burgess of the Federal Reserve Bank of New York, advising that Dr. O. M. W. Sprague of the Treasury Department and Governor George L. Harrison of the Federal Reserve Bank of New York were requested by the President to proceed to London to participate in conferences on the question of exchanges and are in London at this time for that purpose; and that in the government conference Dr. Sprague represents the United States and in the central bank conference Governor Harrison represents the Federal Reserve Bank of New York. The letters also stated that if, as a result of the conference of the government representatives, any governmental policy on this question is formulated which would contemplate action by the central banks, Governor Harrison will advise the Board promptly of the action proposed, and that he will also advise the Board of the proceedings of the central bank conference, and, in the event any plan agreed upon at such conference provides for participation of Federal reserve banks, the Board will give the question careful consideration and advise the Federal reserve banks fully.

The Governor then presented for the record the following cablegram received this morning by the Federal Reserve Bank of New York from Governor

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Harrison and telephoned to Governor Black by Deputy Governor Burgess:

"(1) Recent fluctuations in exchange rate seem to us disturbing and undesirable, particularly at this time. We believe, therefore, that steps should be taken promptly to check any further advance in the foreign exchange rates against the dollar. Although we do not know the cause, it is probable that transfers of capital from United States and speculative operations against the dollar have increased in the past week or two. On a very thin market these transactions naturally result in unduly wide movements of the rate.

"(2) We suggest that if you and the Treasury agree the control of foreign exchange in New York should be tightened by having Kent and Knoke telephone to banks and bankers who are principal dealers, inquiring of them the cause of recent rise in sterling and franc, asking whether they have seen any evidence of capital flights or speculation and reminding them of the President's order which, after all, prohibits such transfers of capital as appear to represent flights from the dollar, and also to speculative operations against the dollar. It is particularly important we believe to telephone such private bankers as Lazard Freres.

"(3) We think it desirable to tighten the control in this manner without publicity and without issuing any new written instructions.

"(4) This message is agreed to by Harrison and Sprague, but presume you will discuss it with Acheson before action. Sprague feels strongly that control should be tightened, as suggested."

In connection with above cablegram, Governor Black suggested that he take the matter up with the Under Secretary of the Treasury and express the view that, before any action is taken by the Federal Reserve Board or the Federal reserve banks, the Federal Reserve Board should be advised as to what the desires of the Government are as to the action to be taken in the premises. The other members of the Executive Committee expressed agreement with Governor Black's suggestion.

At this point Mr. Thomas joined the meeting.

The Governor stated that Mr. Richard F. Roper called him on the telephone yesterday, stating that a meeting of representatives of the different executive departments of the Government will be held on Friday

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afternoon, June 16, 1933, and inquiring if the Federal Reserve Board would arrange to have a representative present at that meeting. Governor Black stated that he had advised Mr. Roper that he thought the Board would arrange to be represented, but that, after giving some thought to the matter, he is of the opinion that the meeting will be political in nature and that, if the other members agreed, he would call Mr. Roper on the telephone and advise him that, because of the character of the meeting, the Board feels it should not be represented.

All of the members present agreed that the action proposed by the Governor was desirable.

Reports of Standing Committee dated June 6, 9, 13, 14, and 15, 1933, recommending approval of the following changes in stock at Federal reserve banks:

| <u>Applications for ORIGINAL Stock:</u> | <u>Shares</u> | |
|---|---------------|------------|
| <u>District No. 7.</u> | | |
| National Bank of Waterloo, Iowa. | 150 | |
| First National Bank of Galena, Illinois. | 120 | |
| First National Bank in Joliet, Illinois. | 210 | |
| Birmingham National Bank, Birmingham, Michigan. | <u>66</u> | 546 |
| <u>District No. 8.</u> | | |
| American Exchange National Bank in St. Louis, Mo. | 140 | 140 |
| <u>District No. 9.</u> | | |
| First National Bank in Cannon Falls, Minnesota. | 44 | 44 |
| | <u>Total</u> | <u>730</u> |
| <u>Applications for ADDITIONAL Stock:</u> | | |
| <u>District No. 7.</u> | | |
| First Capital State Bank, Iowa City, Iowa. (Increase in surplus. Converted on June 2, 1933, to First Capital National Bank) | 6 | |
| First National Bank, Batesville, Ind. (Increase in capital, partly offset by decrease in surplus) | <u>2</u> | 8 |

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Applications for ADDITIONAL Stock: (Cont'd)

| | <u>Shares</u> | |
|--|---------------|----|
| <u>District No. 8.</u> | | |
| First National Bank, Harrisburg, Ill. (Increase in capital, preferred, partly offset by decrease in surplus) | 9 | |
| First National Bank, Woodlawn, Ill. (Increase in capital, preferred, and surplus) | 6 | 15 |
| | Total | 23 |

Application for SURRENDER of Stock:

| | | |
|---|-----|-----|
| <u>District No. 11.</u> | | |
| Farmers National Bank, Brenham, Tex. (V. L. Suc. by Farmers National Bank in Brenham, Tex.) | 111 | 111 |

Approved.

Reports of Standing Committee dated June 6 and 7, 1933, recommending approval of the following Clayton Act applications:

Mr. J. C. Ainsworth, for permission to serve at the same time as a director and officer of the United States National Bank of Portland, Oregon, and as a director and officer of the Clark County National Bank of Vancouver, Washington.

Mr. Robert W. Stewart, for permission to serve at the same time as a director of the National Boulevard Bank of Chicago, Illinois, and as a director of the Continental Illinois National Bank and Trust Company of Chicago, Illinois.

Approved.

Thereupon the meeting adjourned.

Chester Howell
Secretary.

Approved:

E. R. Black.
Governor.