

A meeting of the Federal Reserve Board was held in Washington on Tuesday, June 20, 1933, at 10:00 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. Chase, Assistant Counsel
Mr. Siems, Federal Reserve Examiner

Mr. James stated that following the meeting of the Executive Committee of the Board on June 15, 1933, he had discussed further with Mr. Marion Wasson, Bank Commissioner of Arkansas, the action taken by the Board on the membership applications of the Bankers Commercial Trust Company, the Peoples Bank, and the Union Bank, all of Little Rock, Arkansas, and that Mr. Wasson had addressed a letter to the Federal Reserve Agent at St. Louis with regard to the matter, a copy of which had been furnished by Mr. Wasson to the Board. The letter referred to by Mr. James, which was read by Mr. Morrill, suggested that the Board reconsider its previous action and admit the applicant banks subject to a condition of membership requiring that, prior to admission, each bank shall sever entirely its connection with the affiliated corporation organized to take over the real estate, rental, and insurance departments of the old bank, and, particularly, that in each case (1) the contract providing for management of the affiliated corporation by the officers of the bank be terminated, (2) the offices of the corporation be removed from the banking offices of the bank, (3) the name of the corporation be changed so that there will be no similarity to the name

6/20/33

-2-

of the bank, and (4) the bank terminate the furnishing of executive management for the corporation. The letter also suggested a condition of membership requiring that each bank agree not to purchase any securities which are in default, or the securities of any State or political subdivision thereof while any such State or political subdivision is in default on any of its obligations. The letter further stated that, if the applications are approved, the Bank Commissioner of Arkansas will require that all of the capital stock of each of the banks be sold to individual private investors prior to January 1, 1934, or, in the event that it is found that this cannot be accomplished, will place in liquidation any one or all of the banks, the stock of which is not so disposed of prior to January 1, 1934, and that, so far as possible, he will insist that the members of the board of directors of each bank acquire and hold an appreciable amount of stock in the respective institutions. Mr. Morrill also read a letter dated June 16, 1933, from Mr. Wood, Federal Reserve Agent at St. Louis, stating that, at the meeting of the executive committee of the bank on that date, the letter from the Bank Commissioner of Arkansas was read and the executive committee recommended that the Federal Reserve Board reconsider its action and that the applications of the Bankers Commercial Trust Company, the Peoples Bank, and the Union Bank be approved on the basis of the bank commissioner's letter to the Federal Reserve Agent.

Mr. James stated that Mr. Wasson had advised him that he would use his best efforts to effect a consolidation of the four existing banks in Little Rock into two strong institutions, and, in this connection, Governor Black stated that Mr. Harvey C. Couch of the Reconstruction Finance Corporation had informed him that he plans to visit Little Rock in the near

6/20/33

-3-

future for the purpose of bringing about a consolidation of the institutions into two banks.

Mr. James then moved that the Board reconsider the action taken at the meeting on June 8, 1933, and that it approve the applications for membership of the three banks above referred to, subject to the conditions recommended by the Board's Division of Examinations and on the basis of the suggestions and agreements contained in the letter addressed by the Bank Commissioner of Arkansas to the Federal Reserve Agent at St. Louis.

Mr. O'Connor stated that he felt that, if the Federal Reserve Board takes favorable action on these applications, precaution should be taken to see that its approval cannot be interpreted as in any way countenancing the action of the State of Arkansas in defaulting on its obligations. In this connection, Mr. Morrill read the following condition of membership, proposed for the three banks in the event their applications for membership are approved by the Board:

"Such bank shall not purchase any securities which are in default or the securities of any State or political subdivision thereof while any such State or political subdivision is in default on any of its obligations."

Mr. O'Connor stated that the proposed condition would accomplish the purpose which he had in mind.

The question was then raised as to whether these banks as members of the Federal Reserve System would be permitted to take advantage of the provisions of the Banking Act of 1933 with regard to the insurance of deposits, and Mr. Wyatt stated that under section 12B of the Federal Reserve Act, as amended by the Banking Act of 1933, before a member bank can participate in the permanent insurance features of the act, the Federal Reserve Board is required to issue a certificate, on the basis of a thorough examination of such bank, as to whether or not the assets of the bank

6/20/33

-4-

are adequate to enable it to meet all of its liabilities to depositors and other creditors as shown on the books of the bank, but that all member banks licensed before January 1, 1934, by the Secretary of the Treasury become members of the Temporary Federal Deposit Insurance Fund and participate in the benefits of that Fund, which become effective on January 1, 1934.

Mr. O'Connor stated that, in view of the provisions of the Banking Act of 1933 above referred to, he felt that the time within which the applicant banks should be required to comply with the proposed condition of membership which provides that the stock of the institutions shall be sold to local shareholders should be limited to December 15, 1933, in order that the Board might have an opportunity to determine before January 1, 1934, whether the conditions of membership prescribed by the Board have been complied with or whether the banks' membership in the Federal Reserve System should be terminated. Mr. James accepted Mr. O'Connor's suggestion as an amendment to his motion.

Mr. Miller stated that, inasmuch as the applicants, if admitted to membership in the Federal Reserve System, would apparently automatically be entitled to participation in the benefits of the Temporary Federal Deposit Insurance Fund, he was opposed to their admission to membership at the present time.

Thereupon Mr. James' motion was put by the chair and carried, Mr. Miller voting "no".

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on May 9 and 10, 1933, were approved and the actions recorded therein were ratified, Messrs. Black and O'Connor not voting.

6/20/33

-5-

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on May 12, 18, 24, 25, and 26, 1933, were approved and the actions recorded therein were ratified.

The minutes of the meetings of the Federal Reserve Board held on June 1, 3, 5, and 8, 1933, were approved.

The Board then considered and acted upon the following matters:

Letter dated June 15, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated June 15, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, both advising that their boards of directors, at meetings on that date, made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated June 17, 1933, from Mr. Morrill stating that Mr. Thomas recommends the appointment temporarily, as of June 17, 1933, of Mr. Arthur H. Schroeder as his secretary, with salary on a basis which will make his actual compensation at the rate of \$2,400 per annum. The appointment as recommended was approved by three members of the Board on June 17, 1933.

Approved.

Memorandum dated June 17, 1933, from Mr. Morrill recommending that, in order to fill a vacancy in the Secretary's office, the Board approve the employment of Mr. John C. Brennan as a stenographer, with salary on a basis which will make his actual compensation at the rate of \$1,560 per annum, effective as of the date upon which he assumes his

6/20/33

-6-

duties. The recommendation was approved by four members of the Board on June 17, 1933.

Approved.

Memorandum dated June 19, 1933, from the Board's Chief Telegraph Operator, recommending that, because of the increased volume of work in the telegraph office, the Board approve the permanent appointment of Mr. J. H. Heher, as a telegraph operator, with salary at the rate of \$165 per month, Mr. Heher having been in the employ of the Board as a temporary operator since February 29, 1933.

Approved.

Memorandum dated April 14, 1933, from the Board's Committees on Research and Statistics and on Salaries and Expenditures, recommending approval of the budgets submitted by the Federal reserve agents at the various Federal reserve banks, covering the statistical and analytical functions of the respective banks during the year 1933, the budgets for the twelve banks amounting to a total of \$473,725.

Approved.

Telegrams dated June 16, 1933, to the respective Federal reserve agents, approved by five 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:

6/20/33

-7-

469

Name of Bank

Federal Reserve Bank

Columbiana Savings Bank,
Columbiana, Alabama.

Atlanta

Muscatine Bank and Trust Company,
Muscatine, Iowa.

Chicago

Approved.

Telegram dated June 17, 1933, to Mr. Hoxton, Federal Reserve Agent at Richmond, approved by three members of the Board, stating that, subject to the conditions contained in the telegram, the Board approves the application of the Traders Trust and Banking Company, Spencer, West Virginia, for membership in the Federal Reserve System and for the number of shares of Federal reserve bank stock to which the applicant will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Telegram dated June 17, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by three members of the Board, in reply to a telegram dated June 14 from Assistant Federal Reserve Agent Sargent referring to the membership application of the State Security Bank, Brigham, Utah, and inquiring whether the Board approves a reduction of the bank's surplus from \$50,000 to \$25,000 to provide funds for charge-offs and reserves required by one of the conditions of membership prescribed in the Board's telegram of June 14, 1933. The telegram stated that the Board does not object to the proposed reduction of the bank's surplus to \$25,000.

Approved.

Reply on June 17, 1933, approved by three members of the Board,

6/20/33

-8-

to a letter dated May 25 from Mr. Wood, Federal Reserve Agent at St. Louis, with regard to the application filed by the Guaranty-Plaza Trust Company, St. Louis, Missouri, for membership in the Federal Reserve System. The reply referred to the plan of reorganization proposed by the bank and stated that, while the Board is in sympathy with the desire of the bank to reorganize its affairs, it feels, in view of all the circumstances involved, including the condition of the bank and the fact that section 9 of the Federal Reserve Act contemplates that no applying bank shall be admitted to membership unless it possesses paid-up and unimpaired capital, that it cannot, under the proposed plan, properly approve the application and that, in accordance with the agent's recommendation, and as he was advised orally at the meeting of the Board on June 8, 1933, the Board will defer action on the application in order to give the trust company an opportunity to present another plan, should it care to do so.

Approved.

Letter dated June 17, 1933, to Mr. Wood, Federal Reserve Agent at St. Louis, approved by four members of the Board, stating that, as he was advised orally at the meeting of the Federal Reserve Board on June 8, 1933, the Board has approved the recommendation of its Division of Examinations that action on the application of the Bank of Edwardsville, Illinois, for membership in the Federal Reserve System 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. The letter also stated that, while the Board appreciates the efforts being made to improve the condition of the bank and the material improvements which will be accomplished under the proposed plan of reorganization, the Board feels that, in view of the many unsatisfactory features which will

6/20/33

-9-

remain in the institution, its condition after the reorganization will not be such as to warrant favorable action upon its application at this time. The letter requested that the agent communicate with the bank and suggest the withdrawal of its application, and stated that the Board will be pleased to consider a new application for membership when, in the agent's opinion, the institution has effected a correction of, or a material improvement in, the criticized features of its condition, and that, in the event another application is submitted, the Board desires that it be based upon and accompanied by the report of a complete examination of the institution, preferably by a representative of the agent's examining staff.

Approved.

Letter dated June 19, 1933, to Mr. Wood, Federal Reserve Agent at St. Louis, approved by three members of the Board, referring to the application filed by the South Side Bank and Trust Company, St. Louis, Missouri, for membership in the Federal Reserve System, which has been held in abeyance awaiting the approval by all parties at interest of a definite plan of reorganization of the bank. The letter stated that since the Board's telegram of May 29, 1933, in which the feeling was expressed that any plan of reorganization of the old Lafayette-South Side Bank and Trust Company should provide for the entire divestment by the State bank of its investment in, and control of the operations of, the South Side National Bank, Mr. Ethan Shepley, who is to be president of the reorganized bank, has conferred with Mr. Paulger, Chief of the Board's Division of Examinations, and indicated that no plan could be consummated which would contemplate a separation of the national bank from the applicant institution at this time, and that, before going ahead with any plan, he desired a definite statement from the

6/20/33

-10-

Board as to its attitude in connection with the affiliation of the national bank with the proposed South Side Bank and Trust Company. The letter requested the agent to advise the reorganization committee of the South Side Bank and Trust Company definitely that the Board would not look with favor upon its application if the institution retained its investment in, or control of the operations of, the national bank.

Approved.

Telegram to Mr. Case, Federal Reserve Agent at New York, replying to a letter dated June 13 from Assistant Federal Reserve Agent Downs recommending approval of a request of the Leonia Bank and Trust Company, Leonia, New Jersey, for a further extension of thirty days of the period within which the bank may accomplish its admission to membership in the Federal Reserve System. The telegram requested that the agent advise the bank that the Board grants an extension to July 12, 1933, of the time within which the institution may accept the conditions of membership prescribed in the Board's letter of April 12, 1933, and that, in the event such conditions are not accepted by that time, the Board will require a new application from the bank based on a current report of examination.

Approved.

Reply on June 16, 1933, approved by five members of the Board, to a letter dated June 12 from Mr. Hoxton, Federal Reserve Agent at Richmond, recommending approval of a request of the Greenbrier Valley Bank, Lewisburg, West Virginia, for an extension of time in which to accept the conditions of membership prescribed in the Board's letter of May 10, 1933. The reply stated that the Board grants an extension to July 9, 1933,

6/20/33

-11-

of the time in which the Greenbrier Valley Bank may accept the conditions of membership prescribed for it.

Approved.

Letter dated June 16, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by five members of the Board, replying to Assistant Federal Reserve Agent Dillistin's letter of June 6 in which he quoted a communication dated June 5 from the Chairman of the Board of Directors of the Bank of the Manhattan Company, New York City, New York, with regard particularly to the bank holding shares of its own stock. The reply noted that the Bank of the Manhattan Company has disposed of all the shares of its own stock which were held either as collateral to loans or otherwise, excepting 50 shares which were ordered by, and are being held for, a customer who has not yet made payment therefor; that the bank is engaged in litigation to effect the delivery of these shares; and that it wishes to hold them pending the result of such litigation. The letter also stated that, in the circumstances, the Board will interpose no objection to the retention by the bank of the stock referred to, but requested that the agent advise the institution that, in the event the disposition of these shares is not accomplished by the litigation now in process, the Board will expect it to otherwise dispose of such stock.

Approved.

Letter dated June 16, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by five members of the Board, referring to the analysis of report of examination as of January 14, 1933, of the Northern Westchester Bank, Katonah, New York, and stating that, while the condition of the bank is otherwise generally satisfactory, it is noted that total

6/20/33

-12-

net depreciation in securities investments creates a material impairment of the bank's capital; that most of such depreciation is in issues of securities in the four lower grades; and that for the years 1931 and 1932 the bank's operating expenses, net charge-offs and dividends were in excess of its revenues. The letter also stated that, in the circumstances, it would seem that the institution should comply with the recommendation of the Superintendent of Banks of the State of New York that dividends be discontinued until further notice, and requested that the agent ascertain and advise the Board of the bank's attitude in the matter.

Approved.

Letter dated June 19, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by three members of the Board, referring to the analysis of report of examination as of January 12, 1933, of the Mount Pleasant Bank and Trust Company, Pleasantville, New York, and requesting information with regard to the bank's liability of \$155,000 on account of mortgage participations sold; the action the trust company has taken or proposes to take on the suggestion that it discontinue for the present the payment of further dividends; the borrowings of directors, officers, and employees of the company and their interests aggregating \$185,000, of which \$85,100 are classed as slow and \$21,000 as doubtful; the increase of losses and depreciation since April 18, 1929, which now create an impairment of the institution's capital; and one loan carried by the bank which is excessive under the State law. The letter also stated that it will be appreciated if, in the future, the agent will indicate in analyses of reports of examination of member banks, under caption 12, whether or not his office has discussed with the State banking authorities, or the member bank directly, any

6/20/33

-13-

matters of criticism referred to in the report, and advise as to the results of any such discussions, and that, in cases where the condition of the institution has not been considered with the State banking authorities or the bank, it will be appreciated if the agent will include a statement of his reasons for not doing so.

Approved.

Letter dated June 19, 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 as of February 4, 1933, of the Citizens State Bank, Richardson, Texas. The letter noted that certain of the directors' unsecured lines, which the bank was required to charge off in the recent reduction of its capital stock from \$35,000 to \$25,000, have been taken back into the institution; that these and other directors' lines continue to be the subject of severe criticism by the examiner; and that the State bank examiner has recommended that the institution be required to liquidate the directors' lines which were taken back into its assets, or to obtain adequate security therefor; and stated that the Board will be glad to be advised of any action which may have been taken by the bank in the premises. The letter also stated that the Board feels that steps should be taken at an early date to improve the unsatisfactory condition of the bank's management and requested that, if he has not already done so, the agent discuss this matter with the Banking Commissioner of the State of Texas, or the institution directly, and furnish the Board with the results of such discussion, together with advice, from time to time, of any improvement which may be effected in the unsatisfactory condition of the institution.

Approved.

6/20/33

-14-

Letter dated June 19, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by three members of the Board, replying to Assistant Federal Reserve Agent Fletcher's letter of June 5 forwarding for consideration by the Board a letter dated June 3 from the Colonial Trust Company, Pittsburgh, Pennsylvania, with regard to the purchase by that institution of 250 shares of stock in the Pitt National Bank, a newly organized institution in Pittsburgh. The reply stated that, when the trust company was admitted to membership in the Federal Reserve System, it was not subject to a condition prohibiting the purchase of bank or other corporate stocks and, inasmuch as that time the institution had a substantial investment in such stocks, it is not felt that the purchase by it of the 250 shares of stock in the national bank is contrary to the spirit and purpose of the so-called general condition of membership to which the member bank is subject, and that, accordingly, the purchase of such stock does not require the Board's approval. The reply also stated, however, that the Board feels that it is contrary to sound banking practices for a commercial bank to invest its assets in stocks of any kind, that the Board has included in its revised general conditions of membership a condition prohibiting the purchase of stocks by member banks, except with the Board's permission, and that it is requested that the agent convey to the trust company the Board's attitude toward the purchasing and holding of stocks, and that he advise the Board of any action which may be taken by the bank in the premises.

Approved.

Telegram dated June 17, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by three members of the Board, replying to Assistant Federal Reserve Agent Young's telegram of June 15 with regard to the pro-

6/20/33

posed reorganization of the Genesee County Savings Bank, Flint, Michigan, including (in the event the bank is unsuccessful in collecting the remainder of a 100% stock assessment, \$700,000 of which had been paid in) a reduction in the bank's capital from \$1,000,000 to \$700,000. The reply stated that it appears from Mr. Young's telegram and from telephone conversations with him that the reorganized bank will be under new and capable management and its condition satisfactory, with all losses, depreciation and doubtful assets eliminated and with no liability for borrowed money, and that, on the basis of such information, and, in view of the fact that the Board's consent to the proposed reduction in capital is not required by law or the bank's conditions of membership, the Board offers no objection to the reduction in capital in the amount indicated, if this is found to be necessary, with the understanding that counsel for the Federal Reserve Bank will consider and satisfy himself as to the legal aspects of the proposed plan.

Approved.

Letter dated June 19, 1933, to the Comptroller of the Currency, approved by three members of the Board, replying to Acting Comptroller Awalt's memorandum of May 13, 1933, recommending approval of the application of the South Carolina National Bank, Charleston, South Carolina, for permission to reduce its capital stock from \$1,500,000 to \$1,000,000, and to immediately increase the capital from \$1,000,000 to \$1,800,000 by the sale of preferred stock for cash to the Reconstruction Finance Corporation, the released capital of \$500,000 and the funds to be obtained through a waiver of 60 per cent of the unsecured deposits and other unsecured liabilities, amounting to approximately \$4,187,000, to be credited to surplus or undivided profits and used, together with

6/20/33

-16-

\$357,000 from existing surplus and undivided profits, to charge off slow and doubtful loans, loan losses, other unacceptable assets, and securities depreciation aggregating \$5,044,000. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply.

Approved.

Letter dated June 16, 1933, to the First National Bank and Trust Company, Evanston, Illinois, approved by five members of the Board, advising that, effective if and when the Comptroller of the Currency issues a charter to the bank and authorizes it to commence business with a paid-in capital of at least \$200,000, the Federal Reserve Board approves the application filed in the bank's behalf 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 dated June 19, 1933, to the Community National Bank and Trust Company, Knoxville, Iowa, approved by three members of the Board, advising that, effective if and when the Comptroller of the Currency issues a charter to the bank and authorizes it to commence business with

6/20/33

-17-

a paid-in capital of at least \$50,000, the Federal Reserve Board has approved the application filed in behalf of 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 Iowa, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Letter dated June 19, 1933, to the First National Bank in Houston, Texas, approved by four members of the Board, advising that the Federal Reserve Board approves the bank's application 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 Texas, 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.

Telegraphic reply signed by Governor Black on June 15, 1933, and approved by three other members of the Board, to a telegram received by

6/20/33

-18-

Governor Black under date of June 14 from Mr. W. R. McQuaid, President, Barnett National Bank, Mr. John T. Walker, Jr., President, Atlantic National Bank, and Mr. Geo. J. Avent, President, Florida National Bank, all of Jacksonville, Florida, stating that as July 1 is the beginning of a six-months interest period on savings accounts it is hoped the Federal Reserve Board will take immediate action in fixing the maximum rate of interest that may be paid upon savings accounts and issue its regulations as to what shall constitute time deposits and the maximum rate of interest that may be paid upon them, in accordance with the provisions of the Glass Bill, in order that prompt notice may be given to depositors before the beginning of the new contractual interest period. The reply stated that the new Glass-Steagall Act provides that the Board shall from time to time limit by regulation the rate of interest which may be paid by member banks on time deposits, and may prescribe different rates on time and savings deposits having different maturities or subject to different conditions regarding withdrawal or repayment or subject to different conditions by reason of different locations; that the act also provides that no member bank shall pay any time deposit before its maturity, or waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement; and that, while the practical aspects of the inquiry are fully appreciated, in view of the short time since the form of these provisions of the act became known through the adoption of the conference report and the importance of the questions involved which must receive careful consideration by the Board before any regulations are adopted, the governor is not in a position to say at

6/20/33

-19-

this time when such action can be taken, but that this will not prevent member banks from carrying out their legal obligations under customary agreements entered into in good faith prior to the time when the provisions of such regulations become effective.

Approved.

Telegram dated June 16, 1933, to the Federal reserve agents at all Federal reserve banks, approved by three members of the Board, stating that section 11(b) of the Banking Act of 1933 provides that the Federal Reserve Board shall from time to time limit by regulation the rate of interest which may be paid by member banks on time deposits, and may prescribe different rates for such payment on time and savings deposits having different maturities or subject to different conditions respecting withdrawal or repayment or subject to different conditions by reason of different locations; and that no member bank shall pay any time deposit before its maturity, or waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement. The telegram requested that the agents consider carefully and advise the Board fully as soon as possible their views as to an appropriate regulation under this provision, including the rate or rates which should be prescribed for member banks in the respective districts and what classifications of time deposits should be made on the basis of different maturities, different conditions respecting withdrawal or repayment, or different conditions by reason of different locations.

Approved.

Telegraphic reply to a telegram dated June 19, 1933, from Acting Governor Johns of the Federal Reserve Bank of Atlanta, stating that a member bank in his district has asked permission to pay interest on demand deposits

6/20/33

-20-

until the end of the customary interest payment period, as the bank construes such payment as a contract heretofore entered into in good faith under section 11(b) of the Banking Act of 1933, and requesting advice in the matter. The reply stated that section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, does not authorize the Federal Reserve Board to grant member banks permission to pay interest on demand deposits; that the proviso regarding the payment of interest in accordance with the terms of any certificate of deposit or other contract heretofore entered into in good faith which was in force on June 16, 1933, does not authorize the payment of interest until the end of the customary interest period unless there was a definite contract to that effect; and that member banks are forbidden to renew or extend any such contract without eliminating the provision for the payment of interest and are required to take such action as may be necessary to eliminate the payment of interest on demand deposits as soon as possible consistently with their contractual obligations.

Approved.

Letter dated June 16, 1933, to Mr. Hoxton, Federal Reserve Agent at Richmond, approved by three members of the Board, stating that, in view of the fact that, under the provisions of section 10 of the Federal Reserve Act, as amended by the Banking Act of 1933, the Board's funds are not Government funds or appropriated moneys, and inasmuch as the law appears to contemplate that such funds be left on deposit with Federal reserve banks instead of being deposited with the Treasurer of the United States as has been done heretofore, the Federal Reserve Board feels that it is advisable to open an account with a Federal reserve bank in which the proceeds of its semi-annual assessments upon Federal reserve banks to defray

6/20/33

-21-

its estimated expenses and the salaries of its members and employees may be deposited, and that, inasmuch as the District of Columbia is located in the head office territory of the Federal Reserve Bank of Richmond, it seems appropriate that this account be opened and maintained by the Board at the head office of the Federal Reserve Bank of Richmond, and, if such an arrangement is agreeable to the Richmond bank, the Board will request the other Federal reserve banks to transfer the proceeds of such semi-annual assessments hereafter made by the Board through the Gold Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board, the Federal Reserve Bank of Richmond also to transfer to the Board's account on its books the amount of its part of such semi-annual assessments. The letter requested that the agent advise whether this arrangement will be satisfactory and, if so, that Controller Walden or some other representative of the Federal Reserve Bank of Richmond come to Washington as soon as possible to work out the details of the arrangement.

Approved.

Letter for the signature of Governor Black to General Hugh S. Johnson, Administrator of the National Recovery Administration, stating that, as an incident of the important work undertaken by that organization, it seems likely that there will be collected a great deal of statistical and other information that may be of value to the Federal Reserve Board; that there may also be material available at the Board's division of research and statistics that would be of value to the National Recovery Administration; that it has occurred to the Board that it may be desirable to establish a regular channel of communication and cooperation between the two organizations; and that, if this suggestion appeals to General

6/20/33

-22-

Johnson, it would be appreciated if he would have his representative who will handle such matters get in touch with Dr. Goldenweiser, Director of the Board's Division of Research and Statistics, who will be glad to discuss further the details of any arrangement that may be found feasible and to cooperate in every possible way.

Approved.

Reply to a letter dated June 5, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, in response to the Board's letter of May 25 with regard to a letter received by the Secretary of the Treasury from Mr. H. H. Harper of New Orleans, in which he made certain allegations regarding the Hibernia Bank and Trust Company of New Orleans, Kohn Weil and Simon, Incorporated, of New Orleans, and Mr. Leon C. Simon, a Class B director of the Federal Reserve Bank of Atlanta. The reply noted that the chairman feels the charges made by Mr. Harper are without foundation but that since they relate, in part, to an alleged transaction of a director of the Federal Reserve Bank of Atlanta which would be reprehensible, if true, he believes that the matter should be investigated. The reply stated that, in the circumstances, the Board suggests that the chairman make an investigation of the matter in such manner as he deems appropriate and that he advise the Board fully as to the results.

Approved.

Mr. James stated that Mr. Nathan Adams, President of the First National Bank in Dallas, Texas, had called him on the telephone yesterday to file a protest against the action which it is reported is being taken by certain banks in New York City, Pittsburgh, and other central cities in soliciting deposits of country banks in the Southwest under special

6/20/33

-23-

arrangements which it is claimed will permit the payment of interest on such deposits notwithstanding the provisions of section 11(b) of the Banking Act of 1933, which prohibits the payment of interest on deposits payable on demand. According to the information received from Mr. Adams, Mr. James stated, the Dallas Clearing House Association met yesterday in connection with the matter but took no action, preferring to wait until rules are issued by the Federal Reserve Board on the matter. Mr. James stated that he felt that it might be advisable for the Federal Reserve Board to request the Reserve City Bankers Association and the American Bankers Association to study the matter and to have committees of the respective associations meet with the Federal Reserve Board, and perhaps to permit other interested parties to appear before the Board in connection with the matter, and then proceed with the issuance of regulations under the new law. After discussion, particularly with regard to the provisions of section 11(b) of the Banking Act of 1933, Governor Black said he would discuss with Mr. James the suggestion made by him with a view to submitting a definite recommendation to the Board.

Reports of Standing Committee dated June 16, 17, and 19, 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. 1.</u>		
Tradesmens National Bank of New Haven, Conn.	240	240
<u>District No. 7.</u>		
First National Bank of Evanston, Illinois.	203	203
	<u>Total</u>	<u>443</u>

6/20/33

-24-

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
First National Bank, Remsen, New York. (Increase in capital, preferred, partly offset by decrease in surplus)	16	
Citizens National Bank, Wellsville, N. Y. (Increase in capital, preferred, partly offset by decrease in surplus)	<u>15</u>	31
<u>District No. 3.</u>		
Laurel Springs National Bank, Laurel Springs, N. J. (Increase in capital, preferred, partly offset by decrease in surplus)	12	
First National Bank, Milford, Pa. (Increase in capital, preferred, partly offset by decrease in surplus)	30	
Mountville National Bank, Mountville, Pa. (Increase in capital, preferred, partly offset by decrease in surplus)	<u>90</u>	132
<u>District No. 5.</u>		
First National Bank, Mount Airy, Md. (Increase in capital, preferred, partly offset by decrease in surplus)	6	
Peoples National Bank, Rowlesburg, W. Va. (Increase in capital, preferred)	<u>1</u>	7
<u>District No. 6.</u>		
First National Bank, Birmingham, Ala. (Increase in capital, preferred, partly offset by decrease in surplus)	1,500	1,500
<u>District No. 11.</u>		
First National Bank, Las Cruces, N. Mex. (Increase in capital, preferred, partly offset by decrease in surplus)	<u>12</u>	<u>12</u>
	Total	1,682
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 5.</u>		
First National Bank of Kitzmillerville, Kitzmiller, Md. (Insolvent)	27	27
<u>District No. 9.</u>		
First National Bank, Faulkton, S. Dak. (Insolvent)	23	23
<u>District No. 10.</u>		
First National Bank in Ardmore, Okla. (V.L.Suc. by First National Bank at Ardmore, Okla.)	<u>180</u>	<u>180</u>
	Total	230

Approved.

6/20/33

Thereupon the meeting adjourned.

Chester Howell
Secretary.

Approved:

C. R. Black
Governor.