

A meeting of the Federal Reserve Board was held in Washington on Friday, June 23, 1933, at 11:00 a. m.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. McClelland, Assistant to the Governor  
Mr. Wyatt, General Counsel

The Board considered and acted upon the following matters:

Letter dated June 22, 1933, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated June 21, 1933, from the Chairmen of the Federal Reserve Banks of Philadelphia and St. Louis, June 22, 1933, from the Chairman of the Federal Reserve Bank of Kansas City, and June 23, 1933, from the Chairman of the Federal Reserve Bank of Chicago, all advising that, at meetings of their boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply on June 22, 1933, approved by three members of the Board, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority to purchase from the Fishkill National Bank, Beacon, New York, \$30,000 of tax notes of the City of Beacon. The reply stated that the Board authorizes the purchase with the understanding that the notes meet all requirements of Regulation E except that the amount offered exceeds 25 per cent of the total outstanding warrants of the municipality.

Approved.

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Telegrams dated June 21, 1933, to Mr. McClure, Federal Reserve Agent at Kansas City, approved by four members of the Board, stating that, subject to the conditions prescribed in the individual telegrams, the Board approves the applications of the State Bank of Wheatland and the Stock Growers Bank of Wheatland, both of Wheatland, Wyoming, for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Kansas City 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.

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>
The Merchants and Farmers Bank, Incorporated, Smithfield, Virginia.	Richmond
Truckers Exchange Bank, Crystal Springs, Mississippi.	Atlanta
Weiser State Bank, Weiser, Idaho.	San Francisco
Caldwell State Bank, Caldwell, Idaho.	San Francisco
Rupert State Bank, Rupert, Idaho.	San Francisco
Buhl State Bank, Buhl, Idaho.	San Francisco
Nampa State Bank, Nampa, Idaho.	San Francisco

Approved.

Telegram dated June 22, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by three members of the Board, replying

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to his telegram of June 19, 1933, requesting advice as to whether the Bank of Aberdeen, Idaho, is eligible under the provisions of the Banking Act of 1933 for membership in the Federal Reserve System, with its present capital of \$20,000. The reply stated that, under the provisions of section 9 of the Federal Reserve Act, as amended by section 17(b) of the Banking Act of 1933, the applicant bank may not be admitted to membership unless, prior to admission, it increases its capital to at least \$25,000.

Approved.

Letter dated June 21, 1933, to the Federal reserve agents at all Federal reserve banks, approved by five members of the Board, stating that it has been noted in connection with the admission recently of certain State banks and trust companies to membership that there have been discrepancies between the conditions of membership accepted by such institutions and those prescribed by the Federal Reserve Board; that, in order to eliminate the possibility of any doubt or misunderstanding in this connection, the agents are requested in the case of each State bank or trust company hereafter admitted to membership to have counsel for the Federal reserve bank examine the resolution of the institution's board of directors accepting the conditions of membership and to have such correction effected therein as may be necessary to bring such conditions into conformity with those prescribed by the Board; and that a statement from counsel that he has made such an examination and found the resolution to be in proper form, and the conditions as accepted to be in the form prescribed by the Board, should accompany the certified copy of the resolution when it is forwarded to the Board. The letter also stated that it has been noted in a number of cases that the resolution has referred to the fact that the conditions of membership accepted by the particular bank or trust company were contained in a communi-

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cation addressed to it by the Federal reserve agent, and that, while it is assumed that the conditions of membership thus referred to in any future cases would be the same as those prescribed by the Board, it will be appreciated if the agents will forward to the Board in each such case a copy of any such communication, in order that its records covering the institution involved may be complete.

Approved.

Letter dated June 22, 1933, to the Comptroller of the Currency, approved by three members of the Board, replying to Deputy Comptroller Lyons' letter of June 10 recommending approval of the application of the First National Bank, Salamanca, New York, for permission to reduce its common capital stock from \$175,000 to \$125,000 in accordance with the terms of a proposed plan of reorganization under which the present stockholders will surrender all their holdings, and \$125,000 of such surrendered stock of \$10 par value per share will be resold at \$15 per share; the premium of \$62,500 received from the sale of such stock to be used as surplus, and the released capital of \$175,000, together with the present surplus of \$50,000, undivided profits of \$37,065, and funds aggregating \$263,304 obtained through a waiver of 20 per cent of unsecured deposits, to be used to eliminate losses, depreciation, unacceptable assets and lower grade bonds aggregating \$525,369, the charged off assets to be trusted for the benefit of waiving depositors. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply, and on the understanding that the bank will be placed under new management, together with a new board of directors, which will be satisfactory to the Comptroller of the Currency and the Federal Reserve Bank of New York.

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Letter dated June 22, 1933, to the Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of June 2 recommending approval of the application of the First National Bank, Lake Linden, Michigan, for permission to reduce its capital stock from \$100,000 to \$50,000 under a plan which provides for the surrender of the entire capital stock of the institution by its present stockholders, the resale of \$50,000 of such surrendered stock at a premium of \$10,000 which will be set aside as surplus, and the use of all present capital funds amounting to \$145,574, together with funds in the amount of \$217,611 obtained through the waiver of 40 per cent of unsecured deposits, for the elimination of criticized assets, losses, and depreciation aggregating \$363,175. The reply stated that the Board approves the application under the plan submitted, subject to the conditions set forth in the reply; that, in view of the recommendation of the reorganization division of the Comptroller's office that competent new management should be obtained for the national bank, it is assumed that consideration is being given by that office to requiring that the management of the bank be strengthened; and that the plan of reorganization does not provide for the statutory assessment on the present capital stock and, as it appears that the depositors are absorbing a large portion of the losses of the bank, and as the last report of examination reveals that the directors are men of considerable worth, it is assumed the Comptroller's office has given due consideration to the possible collection of an assessment and the advisability of waiving such liability.

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Telegraphic reply on June 22, 1933, approved by three members of the Board, to a telegram of that date from Assistant Federal Reserve Agent Fletcher at Cleveland, requesting authority for the cancellation of 21,000 shares of stock of the Federal Reserve Bank of Cleveland issued to the Union Trust Company, Cleveland, Ohio; counsel for the Federal reserve bank having advised that the application received by the bank is in proper form and that the agent appointed by the superintendent of banks making the application is duly authorized to do so. The reply stated that the Board approves the application referred to and that the Federal Reserve Bank of Cleveland is authorized to cancel the stock issued to the trust company and to make appropriate refund thereon.

Approved.

Letter dated June 20, 1933, to the Federal reserve agents at all Federal reserve banks, approved by four members of the Board, transmitting, for their information, copies of the Board's letters of May 3, May 18 and June 2, 1933, to the Comptroller of the Currency, advising of the Board's action in connection with the applications of the Citizens National Bank of Pocomoke City, Maryland, and the Patapsco National Bank of Ellicott City, Maryland, for permission to reduce their capital stock. The letter also inclosed a copy of the letter received by the Board from the Comptroller of the Currency under date of May 25, 1933, asking that the Board reconsider its decision on the application of the Patapsco National Bank, and a copy of Mr. Wingfield's memorandum of May 31, 1933, setting forth the considerations which influenced the Board's decision in that case.

Approved.

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Telegrams dated June 20, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, and Deputy Governor McKay of the Federal Reserve Bank of Chicago, and June 21, 1933, to the Federal reserve agents and governors of all Federal reserve banks, all approved by four members of the Board, with regard to the provisions of section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933. The telegrams to Messrs. Stevens and McKay contained information in response to their respective inquiries, which information was also included in the telegram to all the Federal reserve agents and governors which advised that, while some of their questions could not be answered immediately, the following could be stated:

- (a) Except as indicated below, the law forbids member banks to pay interest on demand deposits after June 16, 1933; but interest accrued on or before that date may be paid.
- (b) The law does not prohibit the payment of interest in accordance with the terms of any certificate of deposit or other contract previously entered into in good faith and in force on June 16, 1933.
- (c) No such certificate of deposit or other contract may be renewed or extended without eliminating the provision for the payment of interest on demand deposits; and all such contracts must be modified as soon as possible consistently with the bank's contractual obligations so as to eliminate the payment of interest on demand deposits. If the contract is subject to modification or cancellation at the option of the bank, it must be modified as soon as possible.
- (d) The prohibition against the payment of interest on demand deposits, however, is not applicable to deposits payable only at an office of a member bank located in a foreign country nor to any deposit made by a mutual savings bank nor to any deposit of public funds made by or on behalf of any State, county, school district, or other subdivision or municipality, with respect to which payment of interest is required under State law.
- (e) This exemption is not applicable to deposits of receivers of insolvent State or national banks, since they are not public funds.
- (f) Deposits of public funds of the United States Government are not exempted and the Treasury has amended its circular number 92 so as not to require the payment of interest on balances in war loan deposit accounts and is considering similar amendments to other circulars.

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- (g) The Federal Reserve Board is not authorized to grant member banks permission to pay interest on demand deposits.
- (h) Member banks may continue to pay interest on time deposits in accordance with their usual practice or existing bona fide contracts until the Federal Reserve Board issues regulations on the subject. Preparation of such regulations requires investigation, study and careful consideration of practical and economic effects; but such regulations will be promulgated as soon as practicable. The views of all the Federal reserve banks on this subject have been requested and will be given consideration before regulations are promulgated.
- (i) The meaning of the provision with regard to waiving the requirement of notice before the payment of savings deposits requires further study and will have to be covered by a later ruling or by a provision of the Board's regulations.
- (j) The prohibition against the payment of interest is applicable only to deposits which are "payable on demand" and, therefore, subject to such regulations as the Board may prescribe, interest may be paid until maturity on deposits which are originally bona fide time deposits, although such deposits have become payable within thirty days and for that reason alone are classified under existing regulations as "demand deposits" for the purpose of computing reserves.
- (k) Since the provisions regarding the payment of interest on deposits are incorporated in section 19 of the Federal Reserve Act, definitions contained in section II of the Board's Regulation D should be considered in determining what are time deposits pending the issuance of further regulations on this subject.

Approved.

Telegraphic reply on June 20, 1933, approved by four members of the Board, to a telegram dated June 17 from Mr. Stevens, Federal Reserve Agent at Chicago, in which he referred to the Board's telegram of June 16 requesting that all Federal reserve agents furnish the Board with their recommendations as to regulations to be prescribed by the Board in connection with rates of interest to be paid by member banks on time deposits under section 11(b) of the Banking Act of 1933, and requested advice as to whether the Board would consider it desirable for the bank to send out a questionnaire to each member bank as to its rates of interest. The reply stated that consideration is being given to the inclusion of a questionnaire of this kind in the forthcoming call for reports of condition of all member banks, and



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that, in order to avoid possible duplication, it is believed Federal reserve banks should not send out questionnaires until it can be determined whether the Board will do so.

Approved.

Telegraphic reply to a telegram dated June 22, 1933, from Mr. Peyton, Federal Reserve Agent at Minneapolis, submitting, in response to the Board's telegram of June 16, 1933, his recommendations as to the rates of interest on time deposits to be fixed by the Board pursuant to the provisions of section 11(b) of the Banking Act of 1933, and inquiring whether consideration has been given to a sliding rate which would be based on and varied with the discount rate in the district with a definite maximum limit. The reply stated that the Board appreciates the consideration which he has given to its request and will be glad to receive as soon as practicable his views as to the other aspects of the question not covered in his telegram. The reply also stated that the Board is awaiting the submission of the reports by all Federal reserve banks before entering upon detailed consideration of questions such as that raised by Mr. Peyton, and that it is assumed he will include his recommendation on this point in his final report.

Approved.

Telegrams dated June 22, 1933, to Governor Young of the Federal Reserve Bank of Boston, and to the Federal reserve agents at all Federal reserve banks, approved by four members of the Board, referring to an inquiry contained in a telegram dated June 20 from Governor Young as to whether under section 5(c) of the Banking Act of 1933 the examination of affiliates of State member banks is mandatory. The telegrams stated that the Board has ruled that under section 9 of the Federal Reserve Act, as

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amended by section 5 (c) of the Banking Act of 1933, examiners selected or approved by the Federal Reserve Board must make such examinations of the affairs of all affiliates of State member banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks, and that such examinations must be made in connection with examinations of State member banks.

Approved.

Telegram dated June 22, 1933, to the Federal reserve agents at all Federal reserve banks, approved by four members of the Board, following receipt of a telegram dated June 21 from Mr. Austin, Federal Reserve Agent at Philadelphia, inquiring whether the rate of interest which the Board is authorized to fix on time deposits pursuant to section 11(b) of the Banking Act of 1933 is the exact rate which member banks must pay or whether it is a limit which they cannot exceed. The telegram stated that section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, which authorizes the Board "to limit by regulation the rate of interest which may be paid by member banks on time deposits", authorizes the Board to fix a maximum rate which may not be exceeded by member banks, but does not contemplate that member banks will be required to pay such maximum rate, and that they could pay lower rates at their option.

Approved.

Telegraphic reply on June 21, 1933, approved by four members of the Board, to a telegram dated June 20 from Governor Young of the Federal Reserve Bank of Boston, requesting advice as to whether the bank is com-

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elled to accept a clearing account from a nonmember bank which agrees to carry an adequate balance to offset items in transit. The reply stated that a Federal reserve bank is not under any circumstances required by law to accept a clearing account from a nonmember bank, but may accept or refuse such account in its discretion; and that, if such account is accepted, the nonmember clearing bank is required by law to maintain a balance sufficient to offset items in transit and the Federal reserve bank may prescribe such additional requirements as, in its judgment, are advisable.

Approved.

Letter dated June 21, 1933, to the Secretary of the Treasury, approved by four members of the Board, stating that, as a result of recent gold movements, all of the Federal reserve banks have on hand very large amounts of gold coin and gold certificates; that at several of the banks, however, the proportion of total gold holdings now maintained in the form of gold settlement fund balances is relatively low; and that they are desirous of increasing these balances in order to facilitate payments to other Federal reserve banks and transfers to the Federal reserve agents and the United States Treasury. The letter also stated that, in order to accomplish this, the banks are considering shipments of gold coin and certificates to the Treasury, and that the Board will appreciate advice as to the position of the Treasury with regard to the following questions which have been raised in this connection:

1. Will the Treasury permit the Federal reserve banks to ship United States gold coin to the Treasury, or to the mints or assay offices, at the Treasury's expense?
2. Will the Treasury reimburse Federal reserve banks for abrasion on gold coin deposited with the Federal reserve banks since March 7?
3. Will it be necessary for the Federal reserve banks, especially those not equipped with electric weighing machines, to determine the amount of abrasion on gold coin before shipment to the Treasury, a mint, or assay office?

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4. Will the Treasury authorize such Federal reserve banks as find it desirable to do so, to segregate a portion of their stock of gold coin, or gold certificates, or both, to be held in joint custody by the banks and agents for account of the United States Treasurer?
5. Will the Federal reserve banks be permitted to cancel and ship to the Treasury new and fit gold certificates in denominations of \$500 and over?

The letter also stated that inquiry has been made of the Board as to the policy which the Treasury will follow in connection with the disposal of standard silver dollars held by Federal reserve banks in excess of their requirements, and that advice is requested as to whether the Federal reserve banks will be permitted to ship excess holdings of standard silver dollars to the Treasury, a mint, or assay office, at the Treasury's expense.

Approved.

Letter dated June 20, 1933, to Mr. Leo J. Drum of the Capital Grain and Feed Company, Montgomery, Alabama, approved by four members of the Board, replying to his letter of May 19 addressed to the President of the United States and referred to the Federal Reserve Board for reply, requesting reimbursement to the grain company for legal fees paid by it in connection with the case of the Capital Grain and Feed Company vs. the Federal Reserve Bank of Atlanta which arose in 1925 out of the attempted collection by the Federal reserve bank of a check drawn by the Capital Grain and Feed Company on the Merchants Bank of Montgomery, Alabama, and which resulted in a judgment in favor of the feed company which was paid in full by the Federal reserve bank. The reply reviewed briefly the history of the case and stated that, while the Federal Reserve Board desires that the relations between the Federal reserve banks and those with whom they deal shall in all respects be fair and equitable, it does not feel, for the reasons set forth in the letter, that it can properly

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intervene in this matter with a view to having the Federal reserve bank pay the costs of litigation incurred by the Capital Grain and Feed Company.

Approved.

Letter dated June 21, 1933, to Mr. W. H. Labrot, President of the Atlantic Creosoting Company, New York City, New York, approved by five members of the Board, replying to his letter of May 6, addressed to the Secretary of Commerce and referred to the Federal Reserve Board for reply, in which he suggested that, as a means of financing exports from this country to foreign buyers, the Federal reserve banks extend their rediscount privileges to banks of issue in foreign countries, particularly the South and Central American countries, or to importers in those countries on their own notes indorsed by the borrowers' local banks and by the respective banks of issue of such countries. The reply stated that the Federal Reserve Board is not advised that foreign banks of issue have expressed a desire to rediscount at Federal reserve banks local paper issued for the purpose of paying for imports from this country; that it seems improbable that such foreign banks of issue would desire the extension of such privileges, as the practical effect would be to place upon them the obligation to furnish the dollar exchange required at maturity to retire the obligations; that, although Mr. Labrot's suggestion appears to imply a willingness on the part of the foreign central banks, which are government-owned or controlled, to increase imports into those countries, it is understood that the efforts of the governments in question have been in the direction of reducing rather than increasing imports; and that member banks of the Federal Reserve System are authorized, under certain conditions, to accept drafts or bills of exchange having not more than three months' sight to run drawn by banks in foreign countries

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for the purpose of furnishing dollar exchange required by the usages of trade in such countries, which acceptances are eligible for rediscount by Federal reserve banks. The reply also inclosed a copy of the Board's Regulation C containing provisions regarding acceptances drawn for the purpose of creating dollar exchange and stated that it is understood that dollar credits created in this manner are normally available to importers who enjoy adequate local bank facilities, but that, in a number of Latin American countries, governmental exchange restrictions are in effect and these restrictions have tended to reduce substantially the amount of dollar exchange available to the banks in such countries.

Approved.

Letter to Mr. Joseph A. Broderick, Superintendent of Banking, Albany, New York, replying to his letter of May 26 to Governor Black, receipt of which had been acknowledged previously, and stating that the members of the Board have noted the reference in the letter, in connection with requirements for admission to membership in the Federal Reserve System, to "the present rigid and stringent policy of the Federal Reserve Board" and the statement that the requirements set up are "unreasonable and oppressive", and the reference to the standard of conditions as having been "set up to keep out new members". The reply also stated that, in view of these and other expressions, the Board naturally desires to give the subject matter of the letter very careful consideration; that, in order to aid it in doing so, it will be appreciated if Mr. Broderick will review the conditions which the Board has imposed in each instance in connection with the admission of State banks in New York to membership in the Federal Reserve System during the past twelve months and point out to the Board in each case the particular requirements which, in Mr. Broderick's opinion,

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were unreasonable and oppressive, together with his reasons for his conclusion; and that such an analysis will enable the Board to study the requirements in the light of the facts of the particular situations upon which they were based and it is believed will result in a more effective discussion of the points involved. The letter stated further that if Mr. Broderick does not have immediately at hand the statement of the conditions imposed by the Board in each of the cases of banks whose applications have been approved for membership during the past year, it is suggested that he get in touch with Mr. Case, Federal Reserve Agent at New York, who, no doubt, will be glad to assist him in any way possible in accumulating the desired information; and that he may be assured that the Board has every desire to consider these matters from a constructive point of view and that his cooperation will be welcome.

In connection with a suggestion that it might be advisable to request Mr. Broderick to come to Washington to discuss with the Board the matter referred to in his letter, Governor Black reported that he had discussed the situation with Mr. Broderick when the latter was in Washington recently; that he later considered it with one of Mr. Broderick's assistants, and that Governor Harrison and Deputy Governor Rounds of the Federal Reserve Bank of New York had given considerable time to the matter. He stated that Mr. Rounds has spent a great deal of time, particularly, in connection with the application of the Westchester Trust Company, Yonkers, New York, he and Mr. Dillistin, Assistant Federal Reserve Agent at New York, having come to Washington to consider the matter with members of the Board's staff.

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After discussion, during which Mr. Morrill stated that the Deputy Commissioner of Banks of the State of New York had made an appointment to call on him this afternoon, the proposed reply was approved.

Governor Black stated that, if agreeable to the other members of the Board, he would also address a personal letter to Mr. Broderick. The other members present indicated that they felt such action would be desirable.

Memorandum dated June 20, 1933, from Mr. Smead, Chief of the Division of Bank Operations, approved by four members of the Board, stating that since the passage of the Emergency Bank Act of March 9, 1933, a number of national banks have issued preferred stock as authorized by that act and a few State bank members have also issued such stock under authority of State law; and that, accordingly, it is proposed to have the member banks show, in their next condition reports, the amount of first preferred and second preferred stock, which any of the banks may have issued, separately from the common stock, so far as such information relates to the number of shares, par value, and retirement price of such preferred stock, but to show only one amount as the net book value of all the capital stock of the bank. The memorandum submitted a copy of proposed instructions to member banks governing the method of reporting the capital accounts, and called attention to the fact that, instead of showing the capital stock as the first item on the liability side of the call report, it is proposed to show the item "capital account" immediately following the item "other liabilities," and to change the total of liabilities to read "Total, including capital account"; that the net book value of the preferred and common stock, rather than its par or retirement value, is to be shown in the amount column, and that the book value of the capital stock is to be



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added to surplus, undivided profits, and reserves for contingencies to obtain the total value of the capital account, or net worth. The memorandum also stated that inasmuch as the Banking Act of 1933 authorizes the Federal Reserve Board to regulate the rate of interest which may be paid by member banks on time deposits, it is proposed to ask State bank members to accompany their next call report with a report of the rates of interest paid by them on each class of such deposits, and to revise Schedule "L" of the call report form 105 in which member banks at present classify their time deposits, so that the information submitted on that schedule will conform to the proposed report on the rates of interest paid by the bank on time deposits; that, in addition to the above changes, it is proposed to add a separate schedule on affiliates as explained in detail in another memorandum on the subject of reports of affiliates of member banks; and that it is understood that the proposed changes in the Board's call report form will be made also by the Comptroller of the Currency in the form used by national banks in submitting their quarterly condition reports.

Approved.

Memorandum dated June 22, 1933, from Mr. Smead, Chief of the Division of Bank Operations, approved by four members of the Board, stating that section 5(c) of the Banking Act of 1933 amends section 9 of the Federal Reserve Act by adding at the end thereof new paragraphs which, among other things, require each State bank member to obtain from each of its affiliates, other than member banks, and to furnish to the Federal reserve bank of its district and to the Federal Reserve Board, not less than three reports during each year; that such reports are to be in such form as the Federal Reserve Board may prescribe and are to disclose fully, as of the dates fixed by the

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Board for reports of condition of member banks, the relations between such affiliates and such banks in order to enable the Board to inform itself as to the effect of such relations upon the affairs of such banks; and that section 27 of the Banking Act of 1933 requires the Comptroller of the Currency to obtain similar reports of affiliates of national banks. The memorandum also stated that, assuming that the Board will ask State bank members to submit reports covering each of their affiliates as of the date of the next call for condition reports, three forms have been drafted, which were submitted with the memorandum, one for use in obtaining reports from holding company affiliates, one in obtaining reports from other affiliates, other than member banks, and one for the use of member banks in reporting loans and advances to, and investments in securities of, their affiliates; that, while these forms are believed to be adequate for the present, it is quite possible that the information that will be reported therein will make it desirable to revise and perhaps elaborate the forms for use in obtaining subsequent reports, and that it is desirable that the forms used by the Board in obtaining the reports of affiliates of State bank members be identical, in all essential particulars, with those used by the Comptroller in obtaining reports of affiliates of national banks. The memorandum stated further that the amendment to section 9 of the Federal Reserve Act requires that reports of affiliates of a State bank member shall be published by the bank under the same conditions as govern its own condition reports; that there is nothing in the Federal Reserve Act, however, which requires State bank members to publish condition reports submitted to the Federal Reserve Board and the Board has never required that such reports be published; that, in view of these circumstances, it would

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seem that a reasonable interpretation of that section of the act would be to require that State bank members publish the reports of their affiliates under the same conditions as govern the condition reports submitted by such banks to State authorities, and that, accordingly, a proposed letter of instructions, also submitted with the memorandum, had been drafted which provides for such procedure.

Approved.

The Assistant Secretary then presented a letter dated June 21, 1933, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, stating that, at its meeting on that date, the board of directors of the bank, subject to the approval of the Federal Reserve Board, established a rate of 4 1/2% on advances to member banks under section 10(b) of the Federal Reserve Act, as amended, and a rate of 4 1/2% on advances to nonmember banks and trust companies under section 404 of the Act of March 9, 1933, as amended. In the discussion which followed, reference was made to a statement issued by the Reconstruction Finance Corporation on June 10, 1933, that a reduction in the rates charged by the Corporation on certain loans made by it had been authorized, and the question was raised as to the possibility of the action of the board of directors of the Federal Reserve Bank of Philadelphia having been taken on the assumption that such reduction had been actually put into effect on loans made to banks. Mr. Morrill stated that information had been obtained yesterday from the Reconstruction Finance Corporation that, while it is working on an arrangement under which a reduction may be made, the reduction has not actually become effective.

Accordingly, Mr. Morrill was requested to call Mr. Austin on the telephone and ascertain whether the action of the directors of the Philadelphia bank was in any way predicated upon the assumption that a reduction in the rates charged by the Reconstruction Finance Corporation had been made.

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The Secretary then presented a memorandum dated June 15, 1933, from the Board's Fiscal Agent recommending that, on the basis of the estimated expenditures of the Federal Reserve Board for the period of six months beginning July 1, 1933, of approximately \$430,271, the Board levy an assessment on the Federal reserve banks of ninety-two thousandths of one per cent (.00092) of the total paid-in capital and surplus of the Federal reserve banks as of the close of business on June 30, 1933. Mr. Morrill referred to the letter addressed to the Federal reserve agent at Richmond on June 16, 1933, inquiring whether it would be satisfactory to that bank for the Federal Reserve Board to open and maintain on the books of the bank an account in which the Board's funds, including the proceeds of the semi-annual assessments on the Federal reserve banks, may be deposited, and he stated that Mr. Walden, Controller of the Federal Reserve Bank of Richmond, had come to Washington in accordance with the Board's suggestion and a plan had been worked out for the opening of an account at the bank in the name of the Federal Reserve Board and for the deposit of the proceeds of the proposed assessment in that account. Mr. Morrill also stated that the details of the plan, which has been approved by Mr. Smead, Chief of the Division of Bank Operations, are being completed and will be submitted to the Board for approval.

Accordingly, the following resolution was adopted:

"WHEREAS, under Section 10 of the act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees, for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year;

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"WHEREAS, Section 10 of the Federal Reserve Act, as amended by the Banking Act of 1933, contains the following provision:

'The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, \* \* \* and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys.'

"WHEREAS, it appears from estimates submitted to and considered by the Federal Reserve Board that it is necessary that a fund equal to ninety-two thousandths of one per cent (.00092) of the total paid-in capital stock and surplus of the Federal reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, That:

"(1) There is hereby levied upon the several Federal reserve banks an assessment in an amount equal to ninety-two thousandths of one per cent (.00092) of the total paid-in capital and surplus of each such bank at the close of business on June 30, 1933;

"(2) Such assessment shall be paid by each Federal reserve bank in two equal installments on July 1, 1933, and September 1, 1933, respectively;

"(3) Every Federal reserve bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates stated above through the Gold Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Federal Reserve Board on the books of that bank, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Federal Reserve Board on the dates stated above."

Governor Black reported that, at the invitation of the Under Secretary of the Treasury, representatives of all the Federal reserve banks met in Washington yesterday and discussed the general question of procedure followed at the present time in handling subscriptions to Government securities; that he attended the afternoon session of the conference; and that, while no decisions were reached, it was understood that the representatives of the various Federal reserve banks would submit in writing

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their recommendations as to changes in the procedure.

Governor Black also stated that yesterday he discussed the Michigan banking situation with Mr. Talley of the Reconstruction Finance Corporation, who has now gone to Chicago to consider that situation with the officials of the Federal Reserve Bank of Chicago, following which he plans to visit Detroit, Battle Creek, and possibly other points in Michigan where acute banking problems are presented.

Governor Black also advised that Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, while in Washington on Wednesday and Thursday of this week, discussed with him the banking situation in the Fourth Federal Reserve District. He stated that Mr. Williams feels the situation in Cleveland is improving, and that the most distressed point in the district is Akron, Ohio. Governor Black added that he proposed to discuss the Akron situation with the directors of the Reconstruction Finance Corporation.

The Governor also informed the members of the Board that Mr. I. Levin, Counsel for the Detroit branch of the Federal Reserve Bank of Chicago, had visited Under Secretary of the Treasury Acheson yesterday and discussed with him the banking situation in Detroit; Mr. Levin having advised Mr. Acheson that it is felt that it would be desirable for the Secretary of the Treasury to take up with the Reconstruction Finance Corporation the question as to what can be done to relieve that situation, and that it would be helpful if the Secretary were to make a trip to Detroit and discuss the problem with the bankers there.

Governor Black further reported that Governor Harrison of the Federal Reserve Bank of New York, returning from London, will arrive in New York

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today where he will discuss with the Secretary of the Treasury the general question of stabilization, and that he will be in Washington tomorrow morning.

Governor Black then stated that he had given consideration to the share-the-work plans in effect at certain of the Federal reserve banks and had discussed the matter informally with some of the members of the Board, following which he had submitted the matter to Mr. James as Chairman of the Committee on Salaries and Expenditures.

Mr. James stated that he felt that, in view of recent increases in prices and the efforts which are being made toward higher wages, and also, in view of the increased activities at the Federal reserve banks resulting from recent legislation, it would be advisable for the Federal Reserve Board to indicate to the Federal reserve banks that its attitude would be favorable toward the discontinuance of the share-the-work plans and the wage reductions which have been in effect at the banks, and presented, for the Board's consideration, a resolution prepared with this thought in mind.

A general discussion ensued, at the conclusion of which the resolution presented by Mr. James was amended and adopted in the following form:

"WHEREAS, certain Federal reserve banks have heretofore made general or flat-rate reductions in the salaries of their officers and employees, some in connection with share-the-work plans and others independently of such plans;

"WHEREAS, nation-wide efforts are now being made to encourage industrial and business interests to raise salaries and wages in order to increase the purchasing power of the people and thereby to promote business recovery, a movement in this direction is already under way, and it would be well for the Federal reserve banks to participate in this movement;

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"WHEREAS, all of the Federal reserve banks are operating at a profit, most of them having already realized sufficient net earnings to pay their dividends for the first six months of 1933, and the aggregate net earnings of the twelve banks are far in excess of their aggregate dividend requirements;

"WHEREAS, the Banking Act of 1933 amends Section 7 of the Federal Reserve Act so as to relieve the Federal reserve banks of the necessity of paying any franchise tax to the Government, thus eliminating any financial interest of the Government in their earnings;

"WHEREAS, the increased duties devolving upon the Federal reserve banks under legislation enacted during 1933, together with the improvement in business conditions, are resulting in a substantial increase in the volume of their work, thereby eliminating the necessity of reducing the number of employees at the various Federal reserve banks, including those where additional employees were taken on in carrying out the share-the-work plans in effect at those banks;

"WHEREAS, it appears that the cost of living is advancing;

"NOW, THEREFORE, BE IT RESOLVED, That there appears to be no occasion for continuing in effect the emergency reductions in salaries of the officers and employees of the Federal reserve banks;

"BE IT FURTHER RESOLVED, That it is the sense of the Federal Reserve Board that the Board of Directors of each Federal reserve bank should give prompt consideration to terminating the emergency reductions in the salaries of their officers and employees, effective July 1, 1933, or as soon thereafter as it is practicable to do so;

"BE IT FURTHER RESOLVED, That the Board's Secretary be hereby instructed to transmit a copy of this resolution to the Chairman of the Board of Directors of each Federal reserve bank and request him to bring it to the attention of the Board of Directors at its next meeting."

Governor Black stated that Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, had called him on the telephone, advising that his physician had advised him to take a rest and that he would like to leave at the end of this month on a rest trip to Europe which would require six weeks time, or two weeks longer than the usual vacation period. Governor Black also stated that Mr. Case had advised that the trip would be made with the understanding that it was entirely personal and that he



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would not be representing the Federal Reserve Bank of New York or the Federal Reserve Board in any way. During the ensuing discussion reference was made to the extended leave of absence granted Mr. Case during his illness in 1931 and early in 1932. Mr. Hamlin, as Chairman of the Committee on District No. 2, stated that he felt that before the termination of Mr. Case's present designation as Chairman and Federal Reserve Agent at the Federal Reserve Bank of New York, the committee should look into the question of Mr. Case's physical condition, and, with that in mind, Mr. Hamlin moved that the Board interpose no objection to Mr. Case being absent from the bank during a period of two weeks in addition to the regular vacation period.

Carried.

Reports of Standing Committee dated June 20, 21, and 22, 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>		
National Bank of Commerce of Portland, Maine.	300	
Brandon National Bank, Brandon, Vermont.	<u>36</u>	336
<u>District No. 8.</u>		
First National Bank, Conway, Arkansas.	34	34
	<u>Total</u>	<u>370</u>
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 1.</u>		
Crocker National Bank, Turners Falls, Mass. (Decrease in capital)	30	30
<u>District No. 5.</u>		
Farmers & Mechanics National Bank, Westminster, Md. (Reduction in surplus)	60	60
<u>District No. 6.</u>		
Citizens National Bank in Marietta, Ga. (V.L.Abs. by First National Bank of Marietta, Ga.)	66	66

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 7.</u>		
First National Bank, Toledo, Illinois. (V.L.Suc. by First National Bank in Toledo, Illinois)	36	36
<u>District No. 11.</u>		
The First National Bank in Valley Mills, Texas. (V.L.Suc. by First National Bank in Valley Mills, Texas)	21	21
<u>District No. 12.</u>		
Ballard First National Bank, Seattle, Wash. (V.L.Abs. by First National Bank of Seattle, Washington)	75	
Kingsburg Bank, Kingsburg, Calif. (Insolvent)	102	177
	<u>Total</u>	<u>390</u>

Approved.

Thereupon the meeting adjourned.

Oliver Morill  
Secretary.

Approved:

E. R. Black

Governor.