

A meeting of the Federal Reserve Board was held in Washington on Wednesday, June 28, 1933, at 3:00 p. 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

The Board considered and acted upon the following matters:

Telegram dated June 28, 1933, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, advising that the board of directors, at its meeting today, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter dated June 24, 1933, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, referring to a telephone conversation on June 23 with Mr. Morrill with regard to the action of the board of directors of the bank on June 21 in establishing a rate of 4 1/2% on advances to member banks under the provisions of section 10(b) of the Federal Reserve Act, as amended, and on advances to nonmember banks and trust companies under section 404 of the Act of March 9, 1933, as amended, and stating that, while the directors were influenced in their action by the report that the Reconstruction Finance Corporation was about to reduce to 4 1/2% the rate of interest charged by the Corporation on loans to banks, they were also influenced by the condition of the money market and the bank's recent action in lowering its discount rate to 3%, it being the feeling that, if such action was justified, it was only fair to make a similar reduction on section 10(b) loans. The letter also stated that the

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matter has been discussed with other officers of the bank; that it is recognized that the 5% rate on 10(b) loans was made to harmonize with that fixed by the Reconstruction Finance Corporation; that, if the Corporation actually has not reduced its rate, the fixing of a lower rate by the bank at this time might appear as lacking in courtesy to the Corporation and cause some embarrassment; and that it is entirely agreeable to have action on the rate deferred, pending further consideration of the matter at the next meeting of the board of directors of the Philadelphia bank.

Noted.

Letter dated June 26, 1933, addressed to Mr. Paulger, Chief of the Division of Examinations, by Mr. W. J. Snow, Jr., tendering his resignation as an assistant Federal reserve examiner, to take effect as of July 4, 1933.

Accepted.

Memoranda dated June 20, 22, and 23, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Messrs. Dwight L. Crays, William B. Pollard, and Glenn M. Goodman and their designation as assistant Federal reserve examiners, with salaries at the rates of \$4,500, \$4,250, and \$3,300 per annum, respectively; the recommendations having been approved by five members of the Board on June 27, 1933.

Messrs. Crays, Pollard, and Goodman were appointed examiners for all purposes of the Federal Reserve Act, as amended, and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Federal Reserve Board, and were designated as assistant Federal reserve examiners, with salaries at the rates of \$4,500, \$4,250, and \$3,300 per annum, respectively, all effective as of the dates upon which they assume their duties.

Letter to Mr. Case, Federal Reserve Agent at New York, replying

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to Assistant Federal Reserve Agent Dillistin's letter of June 23 recommending approval of the temporary designation as assistant Federal reserve examiners in the Federal reserve agent's department of the Federal Reserve Bank of New York of Messrs. Henry J. Hannan, Jr., Hugh P. Reed, and Robert Rosenkranse. The reply stated that inasmuch as the personnel classification plan in effect at the Federal Reserve Bank of New York provides for the position of "assistant examiner" rather than "assistant Federal reserve examiner" the Board approves the temporary designation of the three employees named as assistant examiners.

Approved.

Memorandum dated June 21, 1933, from the Committee on Salaries and Expenditures, with regard to a letter dated May 26 from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, recommending approval of changes in the personnel classification plan of the bank to provide for (1) the creation of a "custodian for the Reconstruction Finance Corporation" department at the head office and for fifteen positions in that department, (2) the new position of "assistant manager" in the accounting department of the head office, (3) the position of "acting assistant Federal reserve agent" at the Cincinnati and Pittsburgh branches, (4) the new position of "stenographer-audit clerk" in the auditing department of the Pittsburgh branch and for a change in the title of the position of "stenographer-clerk" in the auditing department of the Cincinnati branch to "stenographer-audit clerk", and (5) a change in the title of the position of "audit clerk" in the auditing department of the two branches to "examiner clerk" and an increase in the maximum salary for each of those positions; the Board's committee recommending approval.

Approved.



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Memorandum dated June 23, 1933, from the Committee on Salaries and Expenditures, with regard to a letter dated June 12 from Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, recommending approval of a change in the personnel classification plan of the bank to provide for the new position of "acting assistant Federal reserve agent" at the head office, with a salary range of from \$2,400 to \$3,000 per annum; the Board's committee recommending approval.

Approved.

Letter dated June 27, 1933, to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, approved by six members of the Board, stating that, in accordance with the recommendation contained in his letter of June 12, the Board approves a change in the personnel classification plan of the bank to provide for the new position of "assistant manager" in the Reconstruction Finance Corporation department with a salary range of from \$2,100 to \$3,600 per annum.

Approved.

Reply to a letter dated June 22, 1933, from the Comptroller of the Currency, inquiring whether the acceptance by Mr. F. Guy Hitt of an appointment as conservator of the First National Bank of East St. Louis, Illinois, would disqualify him to serve as a Class A director of the Federal Reserve Bank of St. Louis. The reply stated that, inasmuch as Mr. Hitt at the time of his nomination and election as a Class A director of the Federal Reserve Bank of St. Louis was an officer of the First National Bank of Zeigler, Illinois, a member bank in electoral group three, and was not an officer or director of a member bank in any other group, he was lawfully nominated and elected as a Class A director, and, as he



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will continue to serve as President of the First National Bank of Zeigler, the Federal Reserve Board, in the circumstances, will not object to his acting as conservator of the First National Bank of East St. Louis while continuing to serve as a Class A director of the Federal Reserve Bank of St. Louis for the remainder of his present term.

Approved.

Telegraphic reply to a telegram dated June 27 from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority to purchase from the First National Bank of Elmsford, New York, \$17,000 of tax notes of the Village of Elmsford. The reply stated that the Board authorizes the purchase with the understanding that the notes meet all requirements of Regulation E except that the population of the issuing municipality is less than 10,000 and the amount of the notes offered exceeds 25% of the total outstanding warrants of the municipality.

Approved.

Reply on June 23, 1933, approved by six members of the Board, to a letter dated June 13 from Mr. Newton, Federal Reserve Agent at Atlanta, advising of the consideration given by the board of directors of the bank, at its meeting on June 9, to the Board's letters of April 29 and May 31, 1933, with regard to indebtedness of officers and employees of Federal reserve banks, and stating that the directors of the Federal Reserve Bank of Atlanta approve in principle the suggestions contained in the Board's letter of April 29, and that Acting Governor Johns has been directed to prepare, for submission to the directors, a report showing as of July 1, 1933, any indebtedness of officers, heads of departments, and other employees of the bank, its branches and agencies occupying responsible positions. The reply stated, in response to an inquiry contained in Mr.

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Newton's letter, that the Board's letter of April 29 contemplates that the report referred to therein covering outside business interests of officers and employees of the Federal Reserve Bank of Atlanta, both in the Federal reserve agent's department and the operating departments of the bank, as well as the report being prepared by the agent with regard to indebtedness of officers and employees in the Federal reserve agent's department, should be forwarded to the Federal Reserve Board, and the report being prepared by Acting Governor Johns covering any indebtedness of officers and employees in other departments of the bank should be submitted to the directors for their consideration.

Approved.

Reply on June 23, 1933, approved by six members of the Board, to a letter dated June 13 from Mr. Walsh, Federal Reserve Agent at Dallas, referring again to the Board's letter of April 29, 1933, (X-7425), with regard to indebtedness and outside business affiliations of employees of Federal reserve banks, and requesting advice particularly as to the Board's attitude toward the service of Mr. Charles C. Hall, Assistant Federal Reserve Agent, as Secretary and Treasurer of the Dallas Country Club. The reply stated that the reference in the Board's letter of April 29 to outside activities was not intended to refer to affiliations other than with commercial enterprises, and that, as long as Mr. Hall's service in the capacity referred to does not interfere with the proper performance of his duties at the Federal Reserve Bank of Dallas, there will be no objection to his retaining the position.

Approved.

Reply on June 23, 1933, approved by six members of the Board, to

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a letter dated June 16 from Mr. Newton, Federal Reserve Agent at San Francisco, advising of the action taken by the board of directors of the bank on June 15, in connection with the Board's letter of April 29, 1933, (X-7425). The reply noted that the Governor of the Federal Reserve Bank of San Francisco has been requested to obtain from all officers, and such other employees as he sees fit, information with regard to any indebtedness which they may have, excluding current bills for ordinary personal and household expenses, and to refer to the directors the case of any officer or employee which, in the opinion of the governor, should have the attention of the directors, the governor's report to include also information as to any indebtedness which he may have. The reply also stated that it is assumed that the agent is arranging to forward to the Board, in accordance with the request contained in its letter of April 29, reports with regard to any indebtedness as of July 1, 1933, of officers and employees in his department and with regard to any affiliations with outside business interests of officers, heads of departments and other employees of the bank occupying responsible positions.

Approved.

Telegrams dated June 27, 1933, to the respective Federal reserve agents, approved by six and five members of the Board, respectively, 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



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surplus as of the date upon which its membership becomes effective:

<u>Name of Bank</u>	<u>Federal Reserve Bank</u>
Peoples Bank of Bloomington, Illinois.	Chicago
State Bank of Terry, Montana.	Minneapolis

Approved.

Telegraphic reply on June 27, 1933, approved by five members of the Board, to letters dated June 15 and 19 from Mr. Curtiss, Federal Reserve Agent at Boston, recommending, in connection with the application of the Union and New Haven Trust Company, New Haven, Connecticut, for membership in the Federal Reserve System, the modification of condition numbered nineteen contained in the Board's telegram of May 18, 1933, and that the Board grant an extension of thirty days of the time within which the company may qualify for membership. The telegram stated that the Board grants the applicant an extension of time to July 18, 1933, in which to complete its membership; that condition numbered nineteen is modified to provide that the bank, prior to admission to membership, shall eliminate from its trust department participations of \$6,500 in the Mendel and Harris mortgage and \$100 in the Julius and Samuel Winick mortgage which are held in guardian accounts and which were criticized by the examiner, and any other participations in mortgages held in violation of the laws of the State of Connecticut; and that the Board's action in this instance does not affect in any way the requirements of condition numbered sixteen, which fact should be called to the attention of the bank.

Approved.

Telegram dated June 27, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by six members of the Board, replying to a

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telegram dated June 21 from Assistant Federal Reserve Agent Young recommending, in connection with the application of the Muscatine Bank and Trust Company, Muscatine, Iowa, for membership in the Federal Reserve System, that condition number eighteen contained in the Board's telegram of June 16 be amended so as to provide that the bank, prior to December 31, 1933, shall increase its surplus to \$150,000. The reply stated that the condition referred to is amended to provide that the bank, prior to December 31, 1933, shall increase its unimpaired surplus to \$150,000 without decreasing its present capital of \$125,000. The telegram also noted from Mr. Young's telegram that the bank is willing to increase its surplus to \$125,000 immediately and requested that the agent suggest to the bank that such increase in surplus be effected as soon as possible.

Approved.

Reply on June 23, 1933, approved by five members of the Board, to a letter dated June 15 from Mr. Stevens, Federal Reserve Agent at Chicago, referring to the consideration which was given by the Board earlier in the year to the question of the eligibility of the Personal Loan and Savings Bank, Chicago, Illinois, for membership in the Federal Reserve System, and requesting advice as to what steps may be necessary in the event the institution desires to renew its application. The reply stated that, while the Board, in the circumstances, will not require that the institution execute a new application, it will require, if the application is resubmitted, that it be accompanied by a current report of examination or credit investigation of the institution; that in addition to the usual data required in connection with the application, it will be appreciated if the agent will submit copies of the form of any loan agreements required by the bank of its borrowers, information as to the conditions under which loans are granted, the

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average maturity of such loans and the character of the collateral obtained; that information is also desired as to the nature of the bank's deposits, i. e., whether such deposits are subject to the usual requirements for withdrawals of savings funds or whether they are on some other basis; and that the same information would also be desired in connection with the applications for membership of any other similar institutions which may be received from time to time. The reply also requested detailed information as to the present status of the Personal Home Mortgage Company, affiliated with the Personal Loan and Savings Bank, and previously reported as being in liquidation.

Approved.

Reply on June 23, 1933, approved by five members of the Board, to a letter dated June 14 from Mr. Walsh, Federal Reserve Agent at Dallas, advising that the depositors of the First State Bank of Leakey, Texas, have surrendered a sufficient amount of their funds to eliminate the losses indicated in the report of examination of the institution as of April 8, 1933, that an effort is being made to obtain a further contribution of approximately \$5,000 with which to create a surplus account for the bank, and that the directors of the Federal Reserve Bank of Dallas feel that, if and when this contribution is obtained, they will be justified in recommending that the institution be granted a license to resume its usual and normal banking functions. The reply stated that, in the circumstances and in accordance with the agent's suggestion, the Board will take no action at this time in connection with the recommendation contained in his letter of May 8, 1933, that the First State Bank be cited to appear to show cause why its membership in the Federal Reserve System should not be terminated, but requested that



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the Board be kept advised of any developments in the condition of the bank.

Approved.

Telegraphic reply on June 24, 1933, approved by five members of the Board, to a telegram dated June 22 from Mr. Stevens, Federal Reserve Agent at Chicago, with regard to the proposed reorganization of the Pinney State Bank, Cass City, Michigan, including, in the event the bank is unsuccessful in collecting the remainder of a 100% stock assessment, \$39,000 of which had been paid-in or provided for, a reduction in the bank's capital from \$50,000 to \$39,000. The reply stated that it appears that the management of the institution is entirely satisfactory to the State banking department and that corrections to be made will eliminate all losses, depreciation and doubtful assets, and place the bank in a satisfactory condition, with no liability for borrowed money or for the repayment to depositors of the amount of deposits waived by them, 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 conditions of membership applicable to the bank, the Board offers no objection to the reduction in capital in the amount indicated, if this is found to be necessary, it being understood that counsel for the Federal reserve bank has considered the proposed plan and is satisfied as to its legal aspects, and that such reorganization will not result in any change in the corporate existence of the bank which will affect its membership in the Federal Reserve System. The reply also stated that it is understood that, under the plan of reorganization approved by the Michigan State Banking Department, thirty days notice is given to stockholders and creditors of the bank as to the plan under which the reorganization is to be effected, that it will be appreciated if, in submitting future

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cases of this kind, the agent will forward to the Board a copy of the proposed plan and advise definitely whether counsel for the Federal reserve bank has considered the plan and is satisfied as to its legal aspects and that such reorganization will not result in any change in the corporate existence of the bank which will affect its membership in the Federal Reserve System, which information should be submitted at as early a date as possible in order that the Board may have an opportunity to consider the matter carefully; and that, if detailed information as to the amount of the stock assessment which will be collected and the amount of deposits which will be waived, etc., is not available at the time the plan is forwarded, such additional information can be forwarded to the Board as soon as available.

Approved.

Telegraphic reply on June 24, 1933, approved by five members of the Board, to a telegram dated June 22 from Mr. Stevens, Federal Reserve Agent at Chicago, with regard to the proposed reorganization of the Lenawee County Savings Bank, Adrian, Michigan, including, in the event the bank is unsuccessful in collecting the remainder of a 100% stock assessment, \$97,000 of which had been paid-in, a reduction in the bank's capital from \$150,000 to an undetermined amount of not less than \$100,000. The reply stated that it appears that the management of the institution is satisfactory to the Federal reserve agent and that corrections to be made will eliminate all losses, depreciation and doubtful assets and place the bank in a satisfactory condition with no liability for repayment to depositors of the amount of deposits waived by them, and that, on the basis of such information, and, in view of the fact that the Board's consent to the proposed reduction in

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capital is not required by law or the conditions of membership applicable to the bank, the Board offers no objection to the reduction in capital, if this is found necessary, provided such capital is not reduced below \$100,000, it being understood that counsel for the Federal reserve bank has considered the proposed plan and is satisfied as to its legal aspects, and that such reorganization will not result in any change in the corporate existence of the bank which will affect its membership in the Federal Reserve System.

Approved.

Letter dated June 24, 1933, to the Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of June 1 recommending approval of the application of the First National Bank, Williamson, West Virginia, for permission to reduce its common capital stock from \$200,000 to \$50,000, in accordance with the terms of a proposed plan under which the present stockholders will surrender all their holdings, \$50,000 of such surrendered stock will be resold at par, and \$200,000 par value of preferred stock retirable at par will also be sold; the released capital amounting to \$200,000 to be credited to undivided profits and, together with other undivided profits and the bank's present surplus of \$50,000, used to charge off assets amounting to \$253,100.65 which were classed as doubtful or loss in the report of examination of the national bank as of March 28, 1933, such charged off assets to remain the property of the bank and the proceeds of collections therefrom to be credited to the bank's surplus account. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply.

Approved.



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Letter dated June 23, 1933, to the Comptroller of the Currency, approved by five members of the Board, replying to Acting Comptroller Awalt's memorandum of June 17 recommending approval of the application of the First National Bank, Birmingham, Alabama, for permission to reduce its common capital stock from \$5,000,000 to \$2,500,000, the released capital to be credited to the bank's surplus account, and the bank's present reserve for contingencies in the amount of approximately \$5,000,000 to be used to charge off estimated losses and doubtful items as shown by the report of examination of the institution as of April 21, 1933. 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 26, 1933, to the Comptroller of the Currency, approved by six members of the Board, replying to his memorandum of June 6 recommending approval of the application of the Marlin-Citizens National Bank, Marlin, Texas, for permission to reduce its common capital stock from \$200,000 to \$100,000 in accordance with the terms of a proposed plan under which the present stockholders will surrender all their holdings; \$100,000 of the surrendered stock will be resold for \$120,000, the premium of \$20,000 to be used as surplus; \$100,000 in preferred stock will be sold to the Reconstruction Finance Corporation for cash; and the released capital funds amounting to \$210,900, together with the funds to be obtained through a waiver of deposits totaling \$161,300, will be credited to surplus or undivided profits, and used to charge off, if the bank has not already done so, all estimated losses and securities depreciation aggregating \$372,700. The reply stated that the Board approves the proposed reduction under the

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plan submitted, subject to the conditions set forth in the letter, and with the understanding that the bank will be placed under new management which will be satisfactory to the office of the Comptroller of the Currency and to the Federal Reserve Bank of Dallas.

Approved.

Letter dated June 23, 1933, to the Louisiana National Bank, Baton Rouge, Louisiana, approved by five members of the Board, stating that the Federal Reserve Board has considered the bank's application for permission to exercise fiduciary powers under the provisions of section 11(k) of the Federal Reserve Act and authorizes the bank to act, when not in contravention of State or local law, as trustee, guardian of estates, 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 Louisiana, only in the specific trusts in which the Louisiana Trust and Savings Bank, Baton Rouge, Louisiana, had been appointed and was acting when taken over by the national bank on April 17, 1933, the exercise of such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The letter also stated that action on the application of the national bank for full fiduciary powers has been deferred pending receipt by the Board of a report of the next examination of the institution.

Approved.

Letter dated June 26, 1933, to the First National Bank in Orange, Texas, approved by six members of the Board, stating 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,

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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.

Report of the Committee on Salaries and Expenditures, dated June 20, 1933, submitting the resolutions adopted by the boards of directors of all Federal reserve banks providing for the payment on June 30, 1933, of dividends at the rate of 6% per annum for the first six months of 1933, the report stating:

"It will be noted \* \* \* \* \* that estimated current net earnings for the six-month period, \$10,822,000, are over twice the amount of estimated dividend requirements of \$4,518,000. It will also be noted that estimated dividend requirements of the Federal Reserve Banks of Boston, Richmond, St. Louis, Kansas City and Dallas are in excess of estimated current net earnings for the six-month period.

"Your Committee has reviewed the dividend resolutions submitted by the Federal reserve banks and recommends that the payment of a semi-annual dividend by each Federal reserve bank be authorized by the Board."

The recommendation of the committee having been approved by five members of the Board on June 23, 1933, the payment of the semi-annual dividend by the various Federal reserve banks as of June 30, 1933, was approved.

Letter dated June 26, 1933, to Honorable A. W. Hall, Director of the Bureau of Engraving and Printing, approved by five members of the Board, stating that, in accordance with the practice of the Federal Reserve Board to furnish the Bureau of Engraving and Printing with an estimate of



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Federal reserve note printing requirements at least one year in advance, the Board, after communication with the Federal reserve banks, was submitting an estimate for the fiscal year ending June 30, 1935, of 6,000,000 sheets. The letter also stated that it is understood that, although no downward revision of this estimate should be made, the Bureau will be able to arrange, upon due notice, for some increase in deliveries during the fiscal year 1935, should changing conditions demand. The letter further advised that the Board was on that date placing with the Comptroller of the Currency a formal order for the printing, during the fiscal year ending June 30, 1934, of 5,618,400 sheets of Federal reserve notes of the various Federal reserve banks; that, while that order calls for the printing of 5,618,400 sheets of Federal reserve notes, the Board may wish, during the course of the year, to ask the Bureau to print, in lieu of a part thereof, a substantial number of sheets of Federal reserve bank notes; and that the Board is placing its order, therefore, with the understanding that it will have the right to cancel the order for the printing of Federal reserve notes to the extent that orders are placed for the printing of Federal reserve bank notes.

Approved, together with a letter dated June 26, 1933, to the Comptroller of the Currency, also approved by five members of the Board, and in accordance with the letter to Mr. Hall.

Reply on June 23, 1933, approved by six members of the Board, to a letter dated June 1 from Mr. Stevens, Federal Reserve Agent at Chicago, stating that he concurs in the printing program for Federal reserve currency for the fiscal years 1934 and 1935, as suggested in the Board's letter of May 27, but feels that, pending a definite decision on a System policy as

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to the issuance of Federal reserve notes or Federal reserve bank notes, the order for \$138,780,000 of Federal reserve notes to be printed during the fiscal year 1934 for the Chicago bank should consist of Federal reserve bank notes. The reply referred to the discussion during the Conference of Governors with the Federal Reserve Board on April 19, 1933, of the policy of issuing Federal reserve bank notes, and stated that the policy as determined at that time will presumably be reviewed at the next Governors' Conference, in the light of conditions as they then exist, but that, pending a decision on this question, it would seem that the order to be placed with the Bureau of Engraving and Printing for printing Federal reserve currency during the fiscal year 1934 should call for the printing of Federal reserve notes rather than Federal reserve bank notes, with the distinct understanding and agreement with the Treasury Department and the Bureau of Engraving and Printing that, should any Federal reserve bank desire to place an order for printing Federal reserve bank notes during the fiscal year 1934, the order for printing an equal number of sheets of Federal reserve notes may be canceled.

Approved.

Reply on June 26, 1933, approved by six members of the Board, to letters dated June 20 and 21 from Governor Young of the Federal Reserve Bank of Boston inquiring as to (1) whether section 32 of the Banking Act of 1933 would prohibit a member bank from accepting a deposit from an investment house after January 1, 1934, (2) whether the same section would prohibit a member bank, after January 1, 1934, from handling drafts with stock attached, received from a broker or dealer in investment securities, and (3) whether the same section would prohibit a director, officer or manager of an investment trust from being a director or officer of a member bank after January 1,

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1934. The reply stated that inasmuch as section 32 will not become effective until January 1, 1934, it would seem that, unless there is some reason which makes it important to decide these questions at the present time, it would be advisable to defer a decision thereon until questions arising under provisions of the act which became effective immediately have been disposed of. The reply also stated that the questions which Governor Young has raised have been referred to the Board's Counsel, that answers will be prepared as soon as the pressure of more urgent matters permits, and that it would be helpful if Governor Young would ask counsel for the Federal reserve bank to consider the questions referred to and furnish the Board with his opinion regarding them.

Approved.

Telegrams dated June 27, 1933, to Governor Young of the Federal Reserve Bank of Boston, and to the Federal reserve agents at all other 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 9 of the Banking Act of 1933 a member bank may make a new loan secured by stocks and bonds if it is borrowing from its Federal reserve bank or whether it must have an official warning from the Federal reserve bank or the Federal Reserve Board before it is required to stop making such loans. The telegrams stated that the eighth paragraph of section 13 of the Federal Reserve Act, as amended by section 9 of the Banking Act of 1933, does not require a member bank which has obtained advances from a Federal reserve bank to refrain from making further loans secured by collateral or to dealers in securities until an official warning is given by the Federal reserve bank of the district or by the Federal Reserve Board as provided in the statute,



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and that an increase by a member bank in the amount of such collateral loans or loans to securities dealers during the life or continuance of an advance under the provisions of the said paragraph does not subject the bank to the penalties prescribed therein unless occurring after the issuance of such an official warning. In connection with this subject, the telegrams also called attention to section 11(m) of the Federal Reserve Act, as amended by section 7 of the Banking Act of 1933, with regard to loans made by member banks on the security of stock or bond collateral.

Approved.

Telegraphic reply on June 27, 1933, approved by five members of the Board, to a telegram dated June 26 from Deputy Governor Conniff of the Federal Reserve Bank of Atlanta, stating that under the Banking Act of 1933 no Federal reserve banks may engage in open-market operations except in accordance with regulations of the Federal Reserve Board, and requesting advice as to whether the Atlanta bank may purchase bankers' acceptances originating in the Atlanta district if offered by a member bank. The reply stated that, inasmuch as the Board's Regulation B governs open market purchases of bills of exchange, trade acceptances and bankers' acceptances under section 14 of the Federal Reserve Act, Federal reserve banks may continue to purchase bankers' acceptances in accordance with that regulation.

Approved.

Letter dated June 26, 1933, to Mr. Walsh, Federal Reserve Agent at Dallas, approved by six members of the Board, replying to a letter dated June 12 from Mr. Harris, Cashier of the Federal Reserve Bank of Dallas, inquiring as to whether there is any objection to the holding of securities in safekeeping by the Federal Reserve Bank of Dallas for conservators of

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member banks. The reply stated that the Federal Reserve Board offers no objection to a Federal reserve bank holding in safekeeping, for a conservator in charge of a national bank or for a conservator or other State official having similar authority in charge of a State member bank, securities of a kind which may properly be held in safekeeping for member banks and subject to the conditions regarding the safekeeping of securities for member banks, and called attention to the Board's letter of May 19, 1933, in which the action of the Governors' Conference regarding the safekeeping of securities for member banks was reviewed. The reply also stated that, in this connection, however, the question whether securities, other than Government obligations, should be held in safekeeping for member banks located in cities in which the head office or a branch of a Federal reserve bank is located, has arisen at several Federal reserve banks; that the Board is considering submitting the matter to the Chairman of the Governors' Conference with the request that he refer it to a committee for study and report at an early meeting of the Conference; and that, in the circumstances, pending the determination of this question, it is suggested that the Federal reserve bank should not make it a practice to hold in safekeeping securities, other than Government obligations, for conservators or State officials having similar authority in charge of member banks located in a city in which is situated a Federal reserve bank or branch.

Approved.

Letter dated June 23, 1933, to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, approved by six members of the Board, stating that, in accordance with the action taken by the board of directors of the bank,

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at its meeting on June 9, advice of which was transmitted in the chairman's letter of June 12, the Federal Reserve Board approves an amendment to the by-laws of the New Orleans branch to provide for a change in the date of the regular monthly meeting of the board of directors of the branch from the Wednesday following the first Friday to the first Thursday following the first Friday of each month.

Approved.

Memorandum dated June 14, 1933, from Mr. Wyatt, General Counsel, approved by three members of the Board, stating that his office is preparing a new edition of the Federal Reserve Act, as amended to date, including the amendments contained in the Banking Act of 1933, together with an appendix containing related acts of interest to the Federal Reserve Board, the Federal reserve banks, and the member banks, and recommending that the Board authorize the printing of 20,000 copies thereof, 300 copies to be bound in cloth. Mr. Carpenter stated that, in accordance with this authority, an order had been placed with the Government Printing Office for the printing of the amended Act.

Approved.

Reply on June 23, 1933, approved by five members of the Board, to a letter dated June 15 from Mr. Stevens, Federal Reserve Agent at Chicago, transmitting a copy of a pamphlet issued by the Federal Reserve Bank of Chicago entitled "Membership in the Federal Reserve System" and suggesting that a new pamphlet containing material which might be used uniformly by all of the Federal reserve banks be prepared for issuance by each bank in its own name. The reply stated that the agent's idea appeals to the Board as one which it is desirable to carry out, but suggested that



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the preparation of such a pamphlet might be carried on in a more advantageous way if the Chairman of the Federal Reserve Agents' Conference were to appoint a small committee of Federal reserve agents or their assistants to draft the manuscript and submit it in preliminary form to all Federal reserve agents and the Board for approval.

Approved.

Memorandum dated June 27, 1933, from the Secretary of the Board, approved by six members of the Board, outlining and recommending approval of the procedure proposed to be followed in connection with the accounts to be opened for the Board on the books of the Federal Reserve Bank of Richmond as of July 1, 1933. The memorandum also recommended that, in order that the new procedure will conform to the by-laws of the Board, Article VIII of the by-laws be amended to read as follows:

"ARTICLE VIII.

"The Fiscal Agent and Deputy Fiscal Agent.

"Sec. 1. The Board shall appoint a Fiscal Agent and a Deputy Fiscal Agent. The duty of the Fiscal Agent shall be to collect and deposit all moneys and funds receivable by the Board with a Federal Reserve Bank designated by the Board for the purpose, to be placed in a special fund established on the books of such Federal reserve bank for the Federal Reserve Board. The Deputy Fiscal Agent shall perform the duties of the Fiscal Agent during his absence or disability.

"Sec. 2. The Fiscal Agent and Deputy Fiscal Agent shall each execute a separate bond with surety satisfactory to the Board.

"Sec. 3. Payments of expenses and other disbursements of the Board shall be made by the Fiscal Agent upon proper vouchers out of moneys advanced to him by requisition out of the special fund above mentioned, as provided in section 6 of this Article, and placed to his official credit with the Federal Reserve Bank designated pursuant to section 1 of this Article. In the absence of the Fiscal Agent, payment of expenses and other disbursements shall be made by the Deputy Fiscal Agent upon proper vouchers out of moneys advanced to the Fiscal Agent by requisition out of the special fund mentioned above and placed to his official credit with such Federal Reserve Bank, as provided in sections 6 and 7 of this Article.

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"Sec. 4. The accounts of the Fiscal Agent shall be audited quarterly and at such other times as the Federal Reserve Board may direct, by or under the direction of an auditor of a Federal Reserve Bank designated for the purpose by the Federal Reserve Board.

"Sec. 5. The Fiscal Agent shall prepare a quarterly account in such form as shall be approved by the Governor of the Federal Reserve Board, which account shall be submitted quarterly to the auditor designated by the Federal Reserve Board, as provided in section 4 of this Article, to audit the accounts of the Fiscal Agent. Such accounts shall cover payment of expenses and other disbursements made by both the Fiscal Agent and the Deputy Fiscal Agent.

"Sec. 6. The Governor of the Federal Reserve Board, from time to time, shall make requisition on the Federal Reserve Bank, on the books of which the Federal Reserve Board's special fund above mentioned has been established, for the advance to the Fiscal Agent from such special funds of such sums as may be necessary. Sums so advanced shall be placed to the official credit of the Fiscal Agent on the books of the Federal Reserve Bank designated pursuant to the provisions of section 1 of this Article.

"Sec. 7. The Deputy Fiscal Agent, in making disbursements for the Board upon proper vouchers out of moneys advanced to the Fiscal Agent, shall sign the necessary checks and other orders in the name of the Fiscal Agent by himself as Deputy Fiscal Agent."

Approved.

Telegram dated June 28, 1933, to Acting Governor Johns of the Federal Reserve Bank of Atlanta, approved by five members of the Board, replying to his telegrams of June 26 and 27, 1933, regarding a request received from the Cuban Government that the Federal Reserve Bank of Atlanta, through its agency in Havana, Cuba, purchase from the Cuban Government United States silver coin in the amount of \$270,000 and gold coin of the Republic of Cuba in the amount of \$1,200,000, making payment therefor in United States currency or credit in New York, with an agreement by the Cuban Government that it will repurchase the Cuban gold coin at the rate of \$150,000 a month on dates agreed to in a contract to be entered into between the parties. The later telegram from Mr. Johns stated that the

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Cuban government has amended its request and asked that he be advised as to whether a proposed purchase of Cuban gold coin in the amount of \$1,000,000, which has been approved by the Executive Committee of the Federal Reserve Bank of Atlanta, meets with the approval of the Federal Reserve Board and, to the extent that it involves repayment of the Cuban gold coin, meets with the approval of the Secretary of the Treasury. The reply stated that the Board will interpose no objection to the proposed purchase of \$1,000,000 Cuban gold coin from the Cuban government under a contract substantially the same as that entered into on November 30, 1932, covering a similar transaction; that a complete written report regarding the transaction should be filed with the Board promptly, together with a copy of the contract as executed; and that the Treasury Department had advised that "so long as the gold coin in question is Cuban gold held in Cuba, and unless the present law is changed, the Treasury Department will have no objection to the Cuban Agency of the Federal reserve bank making redelivery of the Cuban gold coin delivered to such agency under the agreement." The reply also stated that the Treasury Department had advised informally that arrangements can be made for the shipment of silver coin to the Philadelphia mint similar to those which have governed previous shipment made from Havana; that necessary instructions to the Treasurer of the United States cannot be issued until the Treasury is advised as to the exact amounts of coin to be shipped, by denominations, how the coin will be shipped, the name of the steamship and date of shipment, and whether representatives of the Cuban Treasury will accompany shipment; and that it is noted from Acting Governor Johns' later telegram that the proposed purchase of silver coin will be deferred until necessary information can be furnished to the Treasury. The



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reply also requested that the Board be advised when the executive committee of the bank approves this latter transaction and that the Board be furnished with information as to the terms and conditions under which the exchange will be made.

Approved.

The Assistant Secretary then presented a letter dated June 26, 1933, from Mr. Young, Secretary of the Federal Reserve Bank of Chicago, in which he quoted a resolution adopted by the board of directors of the bank at its meeting on June 23, expressing the opinion that the leave of absence granted to Governor McDougal on April 14, 1933, is not sufficient to insure full recovery of his health, and extending such leave for another ninety days from the date of the expiration of the present leave of absence, with salary in full.

After discussion, the Secretary was requested to advise Mr. Young that the Board approves the salary payment involved in the action taken by the directors of the Chicago bank.

Mr. Morrill reported that the secretary to Senator Vandenberg had called upon him yesterday and stated that he had received a telegram from Senator Vandenberg requesting advice as to the extent to which section 10(b) of the Federal Reserve Act had been used by each of the Federal reserve banks since the passage of the Emergency Banking Act of March 9, 1933. Mr. Morrill stated that, in response to the inquiry, he had advised that information with regard to the amount of 10(b) loans made by Federal reserve banks during 1932, which would appear in the Board's annual report for the year, would be available; but that the question of furnishing later information in the form requested by Senator Vandenberg would have to be submitted to the Federal Reserve Board. Senator Vandenberg's secretary

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asked, Mr. Morrill stated, that the request be presented to the Board.

After discussion, Mr. Morrill was requested to advise Senator Vandenberg's office that, in view of the fact that it has not been published, it would not be in accord with the policy of the Board to supply the information in the form requested.

Governor Black stated that it is proposed to have a meeting of the executive committee of the Open Market Policy Conference in New York tomorrow which he had been requested to attend, and he requested an expression from the members of the Board as to their views in connection with the continuance of the present program of purchases of Government securities for system account.

All of the members present indicated that they felt that the program of purchases of not to exceed \$25,000,000 of securities per week should be continued at least during the statement week ending July 5, 1933.

Governor Black then stated that he had discussed with Messrs. Morrill and Wyatt the procedure to be followed in connection with the preparation of regulations to be issued by the Federal Reserve Board pursuant to the provisions of section 12A(b) of the Federal Reserve Act, as amended by the Banking Act of 1933, covering open market operations of Federal reserve banks, and section 14(g) of the Federal Reserve Act, as amended by section 10 of the Banking Act of 1933, covering relations of Federal reserve banks with foreign banks and bankers, and that he believed a desirable procedure would be to have members of the Board's staff prepare tentative drafts of such regulations, with authority, in connection with the preparation of the tentative regulations, to consult with officers of any of the Federal reserve banks or any other persons whose advice or comments may be thought to be desirable, and that, after the tentative

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regulations have been prepared, to submit them to the Federal reserve banks for their suggestions, and, if necessary, to request representatives of the Federal reserve banks to come to Washington for a discussion of the proposed regulations with the Federal Reserve Board.

After a brief discussion, the suggestion made by Governor Black was approved.

Reports of Standing Committee dated June 23 and 26, 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>		
First National Bank at Portland, Maine.	300	300
<u>District No. 4.</u>		
Peoples National Bank, Lakewood, Ohio.	144	144
<u>District No. 5.</u>		
First National Bank of Columbia, South Carolina.	135	135
<u>District No. 6.</u>		
First National Bank in Gadsden, Alabama.	150	
The Geo. D. Warthen National Bank of Sandersville, Georgia.	60	210
<u>District No. 7.</u>		
First National Bank in Marion, Indiana.	72	72
<u>District No. 12.</u>		
First National Bank of Shelton, Washington.	60	60
	Total	921
<u>Application for SURRENDER of Stock:</u>		
<u>District No. 4.</u>		
Guardian Trust Company, Cleveland, Ohio. (Insolvent)	7,800	7,800

Approved.

Thereupon the meeting adjourned.

W. R. M. M. M.  
Secretary.

Approved:

E. A. Black  
Governor.