A meeting of the Federal Reserve Board was held in Washington on Friday, July 7, 1933, at 12:10 p. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. McClelland, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Wingfield, Assistant Counsel
Mr. Chamberlin, Federal Reserve Examiner

The Secretary reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on June 30, 1933, and that, in accordance with the usual practice, a call was made on behalf of the Federal Reserve Board on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was ratified.

The Board then considered and acted upon the following matters:

Letter dated June 29, 1933, from Mr. McAdams, Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment at the bank, on that date, of the following schedule of effective buying rates on bankers' acceptances:

<table>
<thead>
<tr>
<th>Days</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 120</td>
<td>1%</td>
</tr>
<tr>
<td>121 to 180</td>
<td>1 1/4%</td>
</tr>
</tbody>
</table>

Without objection, noted with approval.

Telegrams dated July 5, 1933, from the Chairmen of the Federal Reserve Banks of Philadelphia and St. Louis, July 6, 1933, from the Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, and July 7, 1933, from the Secretary of the Federal Reserve Bank of Cleveland and the Chairman of the Federal Reserve Bank of Dallas, all advising that, at
meetings of the 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.

Memorandum dated July 6, 1933, from Mr. Wyatt, General Counsel,
recommending, because of the increase in the volume of work in counsel's
office since the passage of the Banking Act of 1933, that the Board approve
the appointment of Miss Hildur V. Lehn as a stenographer in the legal
division, with salary at the rate of $1,600 per annum, effective as of the
date upon which she assumes her duties.

Approved.

Letter to the Federal reserve agents at all Federal reserve banks
stating that, in view of existing conditions, the Federal Reserve Board,
in accordance with a suggestion received from one of the Federal reserve
banks, has amended paragraph 5 of the Board's instructions governing the
operation of the personnel classification plans of the Federal reserve
banks so as to increase from three to six months the period for which,
without the approval of the Board, an employee may be temporarily assigned
without a reduction in salary to a position calling for a lower maximum
salary than he is receiving.

Approved.

Reply on July 3, 1933, approved by four members of the Board,
to a letter dated June 24 from Mr. Stevens, Federal Reserve Agent at
Chicago, stating that it has been learned that three of the junior officers
of the bank have minor affiliations with outside business interests within
the meaning of the Board's letter of April 29, 1933, (X-7425), that this
matter was brought to the attention of the board of directors of the bank
at its meeting on June 23, and that, while no action was taken, the situation is to be reviewed again at the end of the current year. The reply stated that it is assumed that, in accordance with the request contained in the Board's letter of April 29, the agent is arranging to submit to the Board a report covering the outside business affiliations of heads of departments and employees occupying responsible positions in the Federal reserve bank, as well as of members of his staff, in addition to the report which he has already made regarding his own outside business affiliations.

Approved.

Reply on July 6, 1933, approved by five members of the Board, to a letter dated June 2 from Governor McKinney of the Federal Reserve Bank of Dallas, in regard to the portion of the Board's letter of April 29, 1933, (X-7425), which called attention to its circular letter of May 7, 1924, (X-4048), expressing the view that officers of the Federal reserve banks should not be identified with outside business interests. The reply noted that Governor McKinney is identified with certain business concerns as a director thereof and in one instance also as a vice president, and stated that it seems to the Board that these connections fall clearly within the purview of the Board's circular of May 7, 1924, and that it will be appreciated if he will advise the Board, after further consideration of the matter, what action he takes with respect to his continuance in these positions. In connection with the shares of stock of the First National Bank in Dallas held by Governor McKinney at the time of his appointment as Governor of the Federal Reserve Bank of Dallas and which he now holds, the reply stated that the Board feels, as pointed out in its letter of
April 29, that there is a special relationship between member banks and the Federal reserve banks and that a high responsibility rests upon the latter in connection therewith, and, therefore, it is the view of the Board that it is advisable for officers of Federal reserve banks to refrain from acquiring or holding any interest in member banks which may result in questions being raised as to the independence of their judgment or their disinterestedness in the discharge of their responsibilities under the Federal Reserve Act. The reply further stated that the Board assumes Governor McKinney is in full agreement with these views, and suggested that he give careful consideration to the possibility of disposing of these shares of stock, advising the Board as to the action taken.

Approved.

Reply on July 5, 1933, approved by five members of the Board, to a letter dated June 28 from Mr. Newton, Federal Reserve Agent at San Francisco, in response to the Board's letter of April 29, 1933, (X-7425), in regard to indebtedness of members of the staff of the Federal reserve agent. The reply stated that the agent's letter has been brought to the attention of the Board and that, in view of the explanations contained in the letter as to the indebtedness of each individual mentioned, the Board has no suggestions to offer at this time. The reply also stated that, in connection with the agent's personal indebtedness, it is assumed by the Board that the stocks and bonds referred to in his letter as being pledged as security for a loan in the amount of $27,000 from the Farmers and Merchants National Bank of Los Angeles, California, do not include any stocks or other obligations of banking institutions or their subsidiaries or other affiliates, but that, in order that the Board's records may be
clear on this point, it will be appreciated if the agent will advise it definitely.

Approved.

Telegram dated July 1, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by four members of the Board, stating that, subject to the conditions prescribed in the telegram, the Board approves the application of the Peoples Savings Bank Company, Martins Ferry, Ohio, for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Cleveland to which the applicant will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Telegrams dated July 3, 1933, to the respective Federal reserve agents, 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 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:

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Federal Reserve Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citizens State Bank of Milford, Illinois</td>
<td>Chicago</td>
</tr>
<tr>
<td>Bank of Craig, Missouri</td>
<td>Kansas City</td>
</tr>
<tr>
<td>Citizens State Bank, Osage City, Kansas</td>
<td>Kansas City</td>
</tr>
</tbody>
</table>

Approved.

Telegram dated July 6, 1933, to Mr. Peyton, Federal Reserve Agent at Minneapolis, approved by five members of the Board, stating that, sub-
ject to the conditions prescribed in the telegram, the Board approves the application of the Belvidere State Bank, Belvidere, South Dakota, for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Minneapolis to which it will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Telegram dated July 6, 1933, to Mr. Hoxton, Federal Reserve Agent at Richmond, approved by four members of the Board, referring to the application of the Baltimore Trust Company, Baltimore, Maryland, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw, and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Baltimore Trust Company, the Federal Reserve Bank of Richmond is authorized to cancel such stock and make a refund thereon.

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at Atlanta, in response to his telegram of July 6, 1933, referring to the Board's approval on June 26 of the application of the First National Bank in Gadsden, Alabama, for 150 shares of stock of the Federal Reserve Bank of Atlanta, stating that, at the request of the Comptroller of the Currency, the bank had changed its articles of association and had submitted a new application for 150 shares of stock, which, except for the date, is the same as the one approved on June 26, and requesting advice as to whether the Board's approval of the previous application will apply to the new
application. The telegram stated that the Board approves the amended
application of the national bank for Federal reserve bank stock and revokes
the approval granted on June 26 of the previous application.

Approved.

Letter dated June 30, 1933, to the Federal reserve agents at all
Federal reserve banks, approved by six members of the Board, stating that,
in addition to the 14 conditions contained in the Board's letter of March
11, 1933, (X-7356), and such special conditions as may be desirable in a
particular case, the Board now prescribes for each bank applying for member-
ship in the Federal Reserve System the following condition number 15:

"Such bank shall maintain an amount of paid-up and unim-
paired capital and unimpaired surplus which, in the judgment
of the Federal Reserve Board, will be adequate in relation to
its total deposit liabilities, having due regard to the general
principle that a bank's capital and surplus ordinarily should
not be less than one-tenth of the average amount of its aggregate
deposit liabilities and, in some circumstances, should be more
than one-tenth of such amount."

The letter also stated that hereafter in giving the agents telegraphic
advice of approval of an application for membership by a State bank, the
telegram will contain a code word covering the following comment, which
will be included also in the letter addressed to the applicant bank con-
taining the conditions of membership:

"In connection with condition numbered fifteen above and
in the absence of any special action by the Board, if in any
period of twelve months ending on the 30th day of November the
average amount of deposit liabilities of the bank during such
period, as determined on the basis of reports made by the bank
to the Federal reserve bank for the purpose of computing its
required reserve, exceeds ten times the aggregate amount of the
bank's paid-up and unimpaired capital stock and unimpaired sur-
plus, the Board will expect that such bank, as soon as possible
and within the next succeeding six months, will increase the
aggregate amount of its paid-up and unimpaired capital and unim-
paired surplus to an amount at least equal to 10% of the average
amount of its deposit liabilities during such twelve months."
The letter stated further that, while member banks which have not accepted condition number 15 are not subject to its requirements, the Board feels that it would be proper for the examiner making examinations of State member banks or the Federal reserve agent's office to suggest to any bank which does not appear to have an adequate amount of capital and surplus, the desirability, as a matter of good banking practice, of conforming to the principle laid down in the condition; that, in the case of any bank subject to the condition, where it appears that the relation of its capital and surplus to deposit liabilities does not meet the requirements of that condition, the bank should be requested to give prompt consideration to compliance with such requirements; that the Board desires the Federal reserve agent's office to determine annually by reference to the reserve reports of State member banks subject to condition number 15 whether each such bank in the district is complying with the requirements of that condition; and that, while the Board expects each bank subject to the condition to comply with its provisions without any special action by the Board, the Board will, in special circumstances and upon the agent's specific recommendation, consider whether, in view of all the facts involved in the particular case, it will be justified in not requiring the bank to increase its capital and surplus to an amount at least equal to one-tenth of its deposit liabilities, or whether, on the other hand, a larger proportion of capital and surplus should be required in order to afford adequate protection because of special conditions in the particular bank under consideration.

Approved.

Telegraphic reply on July 6, 1933, approved by five members of the Board, to a telegram dated June 28 from Mr. Peyton, Federal Reserve Agent at Minneapolis, requesting advice as to the minimum surplus that would be
required of a bank which wishes to join the Federal Reserve System and which has satisfactory assets and sufficient capital for membership, and as to whether he may advise sound banks, which are under-capitalized, that they may issue preferred stock to the Reconstruction Finance Corporation in order to build up the necessary capital. The reply stated that, in the absence of a concrete case, it is difficult to state a definite position as to the minimum unimpaired surplus which would be required; that it is felt that ordinarily a bank should have unimpaired surplus equal to at least 20% of its unimpaired capital; and that, although the Board has admitted institutions to membership having an unimpaired surplus much less than 20% of the capital, it is the practice of the Board, in such cases, to prescribe a condition requiring the institution to carry to its surplus account annually or at each closing of its books a portion, usually 50%, of its net earnings for such period until its surplus amounts to 20% of its capital. The reply also called the agent's attention to the fact that, in recent admissions to membership in his district, the Board has prescribed a condition requiring that a bank maintain at all times an adequate ratio of unimpaired capital and unimpaired surplus to its aggregate deposit liabilities, and stated that, while this condition does not define what portion of a bank's capital structure should comprise capital stock, the Board feels that it is preferable that a larger part of an institution's capital funds should be represented by capital stock and has in a number of instances required rearrangement of the capital structure to provide larger capital stock. The reply stated further that there does not appear to be any objection to the agent informing the institutions referred to in his telegram that they may apply to the Reconstruction Finance Corporation
to subscribe for preferred stock.

Approved.

Letter dated July 1, 1933, to the Comptroller of the Currency, approved by four members of the Board, replying to Deputy Comptroller Lyons' letter of June 10 transmitting a memorandum describing the proposed plan of reorganization of the Merchants National Bank, Dunkirk, New York, which provides for a reduction of its capital from $500,000 to $200,000; a reduction in the par value of the capital stock from $25 to $10 per share; the surrender by the present stockholders of all their holdings; and the resale of 20,000 shares of surrendered capital stock of the par value of $10 for $12.50 per share; the premium of $50,000 received from the sale of such stock to be used as surplus, and the released capital funds amounting to $461,226.64, together with the funds to be obtained through a waiver by creditors amounting to approximately $550,012, to be credited to surplus or undivided profits and used to charge off assets aggregating $1,011,238.94, all assets thus charged off to be trusteeed for the benefit of waiving creditors. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply; that the Board notes with approval the recommendation of the Comptroller's office that the directorate and management of the bank shall be satisfactory to the Chief National Bank Examiner for the second district and the Federal Reserve Bank of New York, and that it is assumed that the Comptroller's office will require the fulfillment of this condition as a prerequisite to the licensing of the bank.

Approved.
Letter dated July 1, 1933, to the Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of June 24 recommending approval of the request of the Merchants National Bank and Trust Company, Poughkeepsie, New York, for a modification of the fourth condition under which the Board, on June 2, 1933, approved a reduction in the capital stock of that institution. The reply stated that, in accordance with the Comptroller's recommendation, the Board modifies the condition referred to as set forth in the reply.

Approved.

Telegram dated July 3, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by four members of the Board, requesting that he advise the National Bank of Commerce of Portland, Maine, that the Board approves the application filed in behalf of the bank for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Maine, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The telegram also requested the agent to inform the bank that the Board feels that if the bank is tendered any trusts or trust department accounts now held by the Fidelity Trust Company or the Casco Mercantile Trust Company, it should carefully scrutinize these trusts or accounts and should not accept any which, through their
assumption, may prove detrimental to the interests of the bank.

Approved.

Reply on June 30, 1933, approved by five members of the Board, to a letter dated June 20 from Mr. C. S. McCain, Vice Chairman of The Chase Bank, New York City, New York, requesting permission of the Federal Reserve Board for the purchase by The Chase Bank from The Chase Corporation of New York City of a total of 1,075 shares of 25% paid capital stock of the Bank for International Settlements with which The Chase Bank would assume a liability for an unpaid subscription of 75% on such shares. The reply stated that, as the Bank for International Settlements is an institution in the stock of which the Board's Regulation K permits an investment by a corporation organized under the provisions of section 25(a) of the Federal Reserve Act in an amount not to exceed 15% of the capital and surplus of such corporation, without the specific consent of the Federal Reserve Board, and since, according to Mr. McCain's letter, the total investment of The Chase Bank, including the liability for the unpaid subscription, will not exceed that amount, the Board's specific permission to purchase this stock is not necessary.

Approved.

Reply on July 6, 1933, approved by five members of the Board, to a letter dated June 20 from Governor Young of the Federal Reserve Bank of Boston stating that his bank has participated in many agreements and accounts heretofore entered into by the Federal Reserve Bank of New York with foreign central banks, and that transactions in these accounts are taking place daily, and inquiring as to whether it would be possible for the Board to grant the Federal Reserve Bank of Boston permission to con-
continue existing transactions until such time as the Board can issue regulations with reference to foreign accounts of Federal reserve banks in accordance with the provisions of section 14(g) of the Federal Reserve Act, as amended by section 10 of the Banking Act of 1933. The reply stated that for the present the Board will interpose no objection to the Federal reserve banks continuing to participate in normal transactions in accounts heretofore opened with the approval of the Federal Reserve Board between the Federal Reserve Bank of New York and foreign banks or bankers; but that the Board reserves the right to require changes to be made in the practices in connection with such accounts and the agreements respecting such accounts or to require the discontinuance of such accounts at any time either by regulation or without the issuance of formal regulations governing the subject.

Approved.

Reply on July 6, 1933, approved by five members of the Board, to a telegram addressed under date of June 23 by The Pittsfield Third National Bank and Trust Company of Pittsfield, Massachusetts, to the Comptroller of the Currency and referred by him to the Federal Reserve Board for reply, inquiring whether, under the Banking Act of 1933, the bank may continue to pay interest on postal savings funds. The reply stated that the Board understands that instructions have been sent by the Third Assistant Postmaster General to the various postmasters under date of June 26, 1933, which contemplate that the Postal Savings System at an early date will adjust its deposits in all depository banks to a time basis, and that, inasmuch as the contract under which postal savings funds are deposited in depository banks requires the payment of interest on such
deposits, it is permissible under the law for a member bank, which was a party to such a contract in force on June 16, 1933, to continue to pay interest on postal savings funds until such time as it is possible for the member bank consistently with such contract to eliminate the provision for the payment of interest on these funds or to change them to a time deposit basis.

Approved.

Reply on July 1, 1933, approved by five members of the Board, to a letter addressed under date of June 19 by Mr. S. D. Townsend, President of the Wilmington Trust Company of Wilmington, Delaware, to the Comptroller of the Currency and by him referred to the Federal Reserve Board for reply, inquiring whether, under the provisions of the Banking Act of 1933, the trust company may continue to hold certain preferred stocks purchased prior to June 16, 1933, and held by it on that date. The reply reviewed the provisions of sections 16 and 5(c) of the Banking Act of 1933 with regard to the purchase of stocks by national and State member banks and stated that, for the reason referred to in the letter, it is the view of the Board that the law does not forbid a member bank of the Federal Reserve System to continue to hold corporate stocks which were lawfully acquired prior to June 16, 1933, and held by it on that date.

Approved.

Telegram dated July 3, 1933, to Mr. Nevin, Managing Director of the Pittsburgh branch of the Federal Reserve Bank of Cleveland, approved by four members of the Board, in response to a letter addressed under date of June 28 by the First National Bank at Pittsburgh, Pennsylvania, to Deputy Comptroller of the Currency Awaalt and referred to the Federal
Reserve Board for reply, inclosing a photostat copy of a form of time certificate of deposit which the bank has been using for several years and requesting advice as to whether the deposits represented by this certificate would be regarded as time deposits under the Banking Act of 1933.

The telegram requested Mr. Nevin to advise the national bank that, pending the issuance of regulations pursuant to section 11(b) of the Banking Act of 1933, the Board will not object to the payment of interest on a deposit represented by the certificate referred to, but that attention is called to the fact that the certificate fails to comply with the requirement of the definition of a time certificate of deposit contained in the Board's Regulation D, section II(e) 3, that the bank retain the option to require in writing not less than thirty days notice before repayment, and that the certificate therefore may not properly be classified as a time deposit for the purpose of computing reserves.

Approved.

Reply on June 30, 1933, approved by five members of the Board, to a letter dated June 22 from Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta, stating that a member bank in his district has requested a ruling on the question whether certain deposits received from its correspondent banks may be considered as time deposits under the Banking Act of 1933. The reply stated that the deposits are not described in sufficient detail to enable the Board to express a definite opinion upon the question whether they may be considered "time deposits" as that term is defined in section II of the Board's Regulation D, and suggested that counsel for the Federal reserve bank be consulted with reference to this
question. The reply also stated that, if these deposits fall within the definition of time deposits contained in Regulation D, they may, pending the issuance of further regulations relative to time deposits by the Board, be considered as time deposits under the provisions of section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933, and that interest may be paid on such deposits in accordance with the bank's usual practice or existing bona fide contracts.

Approved.

Telegraphic reply on July 5, 1933, approved by five members of the Board, to letters dated June 21 and 29 from Mr. H. G. Prickett, Vice President and Cashier of the West End Savings Bank, Birmingham, Alabama, inquiring as to whether the bank, which has a capital of $25,000 and is in the process of reorganization, would be eligible for membership in the Federal Reserve System with a capital of $25,000. The letter of June 21 also inquired whether the bank would be eligible to obtain insurance of its deposits under the Banking Act of 1933. The reply stated that, under the provisions of the Federal Reserve Act, as amended by the Banking Act of 1933, a bank located in an outlying district of a city with a population exceeding 50,000 inhabitants is eligible for admission to membership with a capital of not less than $100,000, provided the State law permits the organization of State banks in such location with a capital of $100,000 or less, and that, assuming that the location of the West End Savings Bank comes within the Board's definition of the term "outlying district" and State banks may now be organized in the place where it is located with a capital of $100,000 or less, the bank would be required to have a capital
of at least $100,000 in order to be eligible for admission to the Federal Reserve System. The reply also stated that the question whether any specific amount of capital is required in order that a nonmember bank may take advantage of the provisions of law regarding Federal deposit insurance until July 1, 1936, is one to be determined by the Federal Deposit Insurance Corporation when that corporation is organized.

Approved.

Telegraphic reply on June 30, 1933, approved by five members of the Board, to a telegram addressed under date of June 21 by the State Banking Department of Iowa to the Comptroller of the Currency and by him referred to the Federal Reserve Board for reply, with regard to the eligibility for membership in the Federal Reserve System of a new State bank located in a town with a population not exceeding 3,000 inhabitants, and organized with a capital of $20,000. The reply advised that, under the provisions of section 9 of the Federal Reserve Act, as amended by section 17(b) of the Banking Act of 1933, such a bank would be eligible for admission to membership if, prior to such admission, it increased its capital to at least $25,000 while entitled to the benefits of insurance under the provisions of section 8 of the Banking Act of 1933, provided, that in any such case the capital actually provided is adequate in relation to the aggregate amount of the bank's deposit liabilities and that the bank complies with all other requirements of the Federal Reserve Act.

Approved.

Letter dated July 5, 1933, to the Secretary of the Treasury, approved by five members of the Board, referring further to the reports,
copies of which had been delivered to the Secretary of the Treasury heretofore, showing the results of a special study made of transactions in United States Government securities, handled through the fiscal agency department of the Federal Reserve Bank of Chicago, and to the Board's proposed letter to the Attorney General of the United States in connection therewith, which was submitted to the Secretary of the Treasury for consideration. The letter stated that the Board's examiner requested the chief national bank examiner of the seventh district to have an investigation made of certain transactions in the First National Bank of Ripon, Wisconsin, in connection with subscriptions for Government bonds, and that there were attached to the letter a copy of a letter dated June 27 from the Board's examiner to Mr. Paulger, Chief of the Division of Examinations, a copy of a letter dated June 23 from Chief National Bank Examiner Taylor to the Board's examiner, a copy of a memorandum dated June 19 from Mr. Robert K. Stuart, National Bank Examiner, summarizing the transactions of the First National Bank of Ripon, and photostat copies of the exhibits referred to in Mr. Stuart's memorandum.

Approved.

Letter dated July 6, 1933, to the Secretary of the Treasury, approved by five members of the Board, stating that, in accordance with the request of February 24, 1933, of the then Secretary of the Treasury that a special inquiry be instituted by the examiners of the Federal Reserve Board with the view to determining whether the proper procedure is followed at each of the Federal reserve banks and their branches in connection with the issue, exchange and redemption of Government securities, there was being
transmitted with the letter a copy of a special report by Federal Reserve
Examiner Cagle, dated May 24, 1933, covering the fiscal agency department
of the Federal Reserve Bank of Kansas City.

Approved.

Reply signed by Governor Black on July 6, 1933, and approved by
three other members of the Board, to a letter dated June 29 from the
Under Secretary of the Treasury requesting advice as to whether the Board
would have any objection to a proposed statement in the text of bonds to
be issued by the Home Owners' Loan Corporation under authority of the Home
Owners' Loan Act, approved June 13, 1933, that the Corporation will pay
the principal and interest when due at the Treasury of the United States
or any Federal reserve bank, with a corresponding statement in the
coupons attached to such bonds, it being understood that the matter would
be handled by the Federal reserve banks either by creating a special
account for the Home Owners' Loan Corporation or by accepting the bonds
or coupons for payment and charging the amount thereof to the general
account of the Treasurer of the United States in the same manner as public debt
obligations are now handled, and that in either case the Federal reserve
banks will act solely as fiscal agents of the United States under instruc-
tions from the Secretary of the Treasury. The reply inclosed copies of
telegrams received by the Board in response to its inquiry of the Federal
reserve banks as to whether they would have any objection to the arrangement
described, and stated that the Federal Reserve Board hopes that arrange-
ments can be made which will be satisfactory both to the Treasury Depart-
ment and the Federal reserve banks in the light of the views expressed by
the latter in their telegrams on the subject. The reply also called atten-
tion to the statement in the telegram from the Governor of the Federal
Reserve Bank of Boston that he feels it would be a mistake to have the
words "Federal Reserve Bank" appear on either the bonds or coupons, and
stated that, in view of the reasons given by Governor Young, the Treasury
Department may wish to give particular consideration to his suggestion in
deciding whether to include the statement proposed in the bonds and coupons
of the Home Owners' Loan Corporation.

Approved.

Reply on June 30, 1933, approved by five members of the Board, to
a letter dated June 7 from Mr. Royal F. Munger, Financial Editor of the
Chicago Daily News, Chicago, Illinois, inquiring whether it would be
possible to permit the Board's weekly report of bank debits to be released
promptly after 12 o'clock on Saturday, and suggesting changes in the time
of release of the weekly reporting member bank statements. The reply
reviewed the consideration which has been given by the Board to this
matter and stated reasons why it is felt that no change should be made in
the time of release of the statements referred to.

Approved.

Memorandum dated June 29, 1933, from Mr. Smead, Chief of the
Division of Bank Operations, approved by five members of the Board, sub-
mitting a draft of a letter to the Federal reserve agents at all Federal
reserve banks transmitting the forms to be used by State bank members and
their affiliates in submitting reports of condition as of the next call
date.

Approved.
Letter dated July 6, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, stating that, at the meeting of the board of directors on that date, it was voted, subject to the approval of the Federal Reserve Board, to establish a rate of 4 1/2% for all advances to member banks under section 10(b) of the Federal Reserve Act, as amended by the Act of March 9, 1933, and on advances to nonmember banks and trust companies under section 404 of the Act of March 9, 1933, as amended, effective immediately and until further notice. The letter also stated that this action was taken in the light of the recent reduction in the rate charged by the Reconstruction Finance Corporation on its loans to certain groups of borrowers, including banks, and that no other changes were made in the bank's existing schedule of rates of discount and purchase.

The rate of 4 1/2% thus established by the directors of the Federal Reserve Bank of New York was approved and their action in making no other change in the bank's existing schedule of rates of discount and purchase was noted with approval.

Letter dated July 6, 1933, from the Chairman of the Federal Reserve Bank of Philadelphia stating that, at the meeting of the board of directors of the bank on July 5, further consideration was given to the action taken on June 21, 1933, in establishing a rate of 4 1/2% on advances to member banks under 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; that the action taken at the previous meeting was affirmed; and that the Reconstruction Finance Corporation having fixed its rate on loans to banks at 4 1/2%, the board.
of directors of the Philadelphia bank would be pleased to have its action of June 21, 1933, considered by the Federal Reserve Board.

The rate of 4 1/2% thus established by the directors of the Federal Reserve Bank of Philadelphia was approved, effective July 7, 1933.

Upon motion by Mr. Miller, the Governor was authorized to approve for any other Federal reserve bank 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 State banks and trust companies under section 404 of the Act of March 9, 1933, as amended, if and when such rates are established by the board of directors of the respective Federal reserve banks.

The Secretary then presented a letter addressed to Governor Black by Governor Harrison of the Federal Reserve Bank of New York under date of July 6, 1933, stating that the directors of the bank have given careful consideration to the salaries of the senior officers which, for various reasons, over a period of years, have developed certain inequalities which the directors believe to be not in the best interest of the bank and that, while it is not possible at the present time to correct all of these inequalities, the directors are of the opinion that the present salaries of Mr. Jay E. Crane, Deputy Governor, and Mr. Walter S. Logan, Deputy Governor and General Counsel, are clearly out of line with those of other senior officers of the bank and with the character and responsibility of their work, and that, at the meeting of the board of directors on July 6, it was voted unanimously to increase the salary of Mr. Crane from $23,000 to $25,000 per annum, and the salary of Mr. Logan from $22,000 to $25,000 per annum, which is the minimum salary paid to any of the other deputy governors of the bank. The letter also stated that the Federal Reserve Board's approval of the salaries fixed by the directors for Messrs. Crane
and Logan would be very much appreciated. A discussion ensued during which Mr. James, as Chairman of the Committee on Salaries and Expenditures, recommended that the Board suggest to the board of directors of the Federal Reserve Bank of New York that it review the salaries of the officers of the bank and submit a revised schedule of such salaries to the Federal Reserve Board for consideration, and that action on the proposed salaries for Messrs. Crane and Logan be deferred until such revised schedule is received.

At the conclusion of the discussion, Mr. James' suggestion was approved and it was requested that a letter to the Governor of the Federal Reserve Bank of New York be prepared in accordance therewith.

There was then presented an application filed by the National Boulevard Bank of Chicago, Illinois, for full trust powers and the application was considered in the light of the information contained in memoranda with regard thereto, prepared in the Board's Division of Examinations on July 1 and 3, 1933.

At the conclusion of the ensuing discussion, the Secretary was requested to prepare a letter to the Federal Reserve Agent at Chicago advising that, for the reasons referred to during the discussion, the Board is not prepared to approve the application at this time.

Mr. Morrill stated that a tentative draft of regulations governing the issuance of voting permits authorizing holding companies which own or control national or State member banks to vote the stock held by them at meetings of the stockholders of such banks, and tentative forms to accompany the regulations, have been prepared; that it is believed that,
before the regulation is prepared in final form and submitted to the Board for consideration, it would be desirable to obtain the suggestions of the Federal reserve agents; and that, if agreeable to the Board, copies of the tentative regulations and forms will be forwarded to the Federal reserve agents immediately with the suggestion that they submit to the Board their comments and suggestions at the earliest practicable date.

After discussion, Mr. Morrill was authorized, in accordance with his suggestion, to send copies of the regulations and forms to all Federal reserve banks, and it was suggested that the banks be requested to transmit their replies to reach the Board by a specified date.

Reports of Standing Committee dated July 1, 3, 5, 6 and 7, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name</th>
<th>District No.</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Springvale National Bank, Springvale, Maine</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>First National Bank of Athol, Massachusetts</td>
<td>3</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7</td>
<td>270</td>
</tr>
<tr>
<td>7</td>
<td>Marion National Bank of Marion, Indiana</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>11</td>
<td>Citizens National Bank in Abilene, Texas</td>
<td></td>
<td>126</td>
</tr>
<tr>
<td>12</td>
<td>Colville Valley National Bank, Colville, Washington</td>
<td>42</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Coast National Bank in Fort Bragg, California</td>
<td></td>
<td>73</td>
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</table>

Total 774

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>American National Bank, St. Paul, Minnesota</td>
<td></td>
</tr>
</tbody>
</table>

(Increase in capital, preferred, partly offset by decrease in surplus)
Applications for ADDITIONAL Stock: (Cont'd)  

**District No. 12.**  
University National Bank, Seattle, Washington.  
(Increase in capital, preferred)  

<table>
<thead>
<tr>
<th>Shares</th>
<th>Total</th>
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<tbody>
<tr>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>960</td>
</tr>
</tbody>
</table>

Applications for SURRENDER of Stock:  

**District No. 4.**  
First Central Trust Company, Akron, Ohio. (Insolvent)  
First City Savings Bank, Barberton, Ohio.  
(V.L.Abs. by First Central Trust Company, Akron, Ohio.)  

<table>
<thead>
<tr>
<th>Shares</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>7,050</td>
<td>7,161</td>
</tr>
<tr>
<td>111</td>
<td>2,445</td>
</tr>
<tr>
<td>63</td>
<td>63</td>
</tr>
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</table>

**District No. 5.**  
American Bank & Trust Company of Richmond, Virginia.  
(Insolvent)  
First National Bank, Rural Retreat, Virginia.  
(V.L.Abs. by Peoples Bank of Rural Retreat, member)  

<table>
<thead>
<tr>
<th>Shares</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>2,400</td>
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</tr>
<tr>
<td>45</td>
<td>2,445</td>
</tr>
<tr>
<td>63</td>
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</tbody>
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**District No. 6.**  
Citizens National Bank, Greeneville, Tennessee.  
(Insolvent)  

<table>
<thead>
<tr>
<th>Shares</th>
<th>Total</th>
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<tbody>
<tr>
<td>68</td>
<td>68</td>
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</tbody>
</table>

**District No. 7.**  
City National Bank and Trust Company, Evanston, Ill.  
(V.L.Suc. by First National Bank & Trust Co.)  
First National Bank of Colfax, Colfax, Iowa. (V.L. Suc. by First National Bank in Colfax.)  
First National Bank, Bloomington, Indiana.  
(Decrease in surplus)  

<table>
<thead>
<tr>
<th>Shares</th>
<th>Total</th>
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<tbody>
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<td>420</td>
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<td>36</td>
<td>36</td>
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<td>150</td>
<td>150</td>
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<td></td>
<td>10,363</td>
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</table>

Approved.  
Thereupon the meeting adjourned.  

Approved:  

 Chester Marshall  
Secretary.  

 approved:  

C.R. Black  
Governor.