

A meeting of the Federal Reserve Board was held in Washington on Saturday, July 22, 1933, at 11:45 a.m.

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

Mr. Morrill, Secretary
 Mr. Carpenter, Assistant Secretary

The minutes of the meetings of the Federal Reserve Board held on July 7, 10, and 11, 1933, were approved.

The Board then considered and acted upon the following matters:

Telegraphic reply on July 12, 1933, approved by four members of the Board, to a telegram of that date from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, advising that the board of directors of the bank had established, effective as of the date upon which approved by the Federal Reserve Board, a rate of $4\frac{1}{2}\%$ per annum on 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; no other change having been made in the bank's existing schedule of rates of discount and purchase. The reply stated that the Federal Reserve Board approves the rate referred to, effective July 12, 1933.

Approved, and, there being no objection, the action of the directors in making no other change in the bank's existing schedule of rates of discount and purchase was noted with approval.

Telegraphic reply on July 13, 1933, approved by six members of the Board, to a telegram of that date from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, advising that, subject to the

7/22/33

-2-

71

approval of the Federal Reserve Board, the board of directors of the bank had adopted a rate of $4\frac{1}{8}\%$ per annum on 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. The reply stated that the Federal Reserve Board approves the rate referred to, effective July 14, 1933.

Approved.

Telegraphic replies on July 14, 1933, approved by five members of the Board, to telegrams of that date from the Chairmen of the Federal Reserve Banks of Atlanta and Chicago, advising of the establishment at the banks of rates of $4\frac{1}{8}\%$ per annum on 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 the first business day following that on which approved by the Federal Reserve Board; the telegram from the Federal reserve agent at Atlanta also stating that no other change was made in the bank's existing schedule of rates of discount and purchase. The replies stated that the Federal Reserve Board approves the rates referred to, effective July 15, 1933.

Approved, and, there being no objection, the action of the directors of the Atlanta bank in making no other change in the bank's existing schedule of rates of discount and purchase was noted with approval.

Letters dated July 13 and 20, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated July 13, 1933, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond; July 18,

7/22/33

-3-

1933, from Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis; July 19, 1933, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia; and July 20, 1933, from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City; 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.

Telegram dated July 20, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, advising that, because of the absence of a quorum, the regular meeting of the board of directors of the bank was not held on that date, and that accordingly no change was made in the bank's existing schedule of rates of discount and purchase.

Noted.

Memorandum dated July 14, 1933, from Mr. Morrill recommending that, in order to take care of the increase in the volume of work and to provide for necessary assistance during vacations for secretaries to Board members and stenographers in his office, Miss D. Jeanne Krieger be appointed as a stenographer in the Secretary's office, with salary at the rate of \$1,560 per annum, effective as of the date upon which she assumes her duties; the recommendation having been approved by five members of the Board on July 17, 1933.

Approved.

Memorandum dated July 15, 1933, from Mr. Thomas, stating that he has selected Miss Margaret E. Farrar as his private secretary, and recommending her appointment with salary at the rate of \$3,000 per annum, effective August 1, 1933. The appointment of Miss Farrar was

7/22/33

-4-

approved by four other members of the Board on July 17.

Approved.

Renewal bond, in the amount of \$50,000, executed on July 10, 1933, by Mr. J. Frank Rehfuss as Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of Philadelphia.

Approved.

Telegraphic reply on July 14, 1933, approved by six members of the Board, to a telegram dated July 12 from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, stating that the board of directors of the bank had voted, in accordance with the suggestion contained in the Board's resolution transmitted with its letter of June 23, 1933, and subject to the approval of the Board, that the reduction of 5% made on January 1, 1933, in the salaries of all officers and employees of the bank whose salaries on December 31, 1932, were at the rate of \$6,000 or more per annum, be terminated, effective July 1, 1933. The reply stated that the Board approves the salary payments involved in the action of the directors, and that the reduction in the agent's basic salary and the reductions in the basic salaries of assistant Federal reserve agents which were made effective on January 1, 1933, are discontinued as of the close of business on June 30, 1933.

Approved.

Reply on July 11, 1933, approved by six members of the Board, to a letter dated July 7 from Governor Harrison of the Federal Reserve Bank of New York advising of a resolution adopted by the board of directors of the bank in regard to the discontinuance of the share-the-work plan which has been in effect at the Federal Reserve Bank of New York. The reply noted that, subject to approval of the Federal Reserve Board, the reduction

7/22/33

-5-

74

of 4% in the basic salaries of officers and employees of the bank was abrogated, effective July 1, 1933; that, in connection with this action, the reduction in the working time of one-half day each week, or its equivalent, is also discontinued, at least for the duration of the summer vacation period and subject to subsequent reconsideration, and that all employees who were employed on a temporary basis under the share-the-work plan are to be retained on a regular basis subject to the same rules and regulations as other employees of the bank. The reply also stated that the Board infers from the resolution that the employees who heretofore have been regarded as having solely a temporary status are now to be treated as regular employees in the same sense as other employees of the bank who were not taken on for the purposes of the share-the-work plan; but that, in view of Governor Harrison's statement that the number retained will be in excess of the bank's needs, although part of them will be eliminated by the normal turnover of employees and another part will be absorbed by the increase in volume of work, there may be a part of the employees temporarily taken on under the share-the-work plan for whom there is no work or need for the retention of their services; and that, consequently, the Board is left in some doubt as to the exact facts of the situation and the justification for the retention of the surplus employees, and for this reason, the Board will appreciate further advice as to the employment conditions involved in the retention, as regular employees, of the persons who were taken on temporarily under the share-the-work plan. The reply stated further that, pending further action, the Board approves the salary payments resulting from the abolition of the reduction of 4% in, and the restoration of, the basic salaries of all officers and employees at both

7/22/33

-6-

75

the head office and the Buffalo branch of the Federal Reserve Bank of New York.

Approved.

In connection with the above letter, there was also presented a telegram dated July 14, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by six members of the Board, stating that, pending further action, the reduction in the agent's basic salary and the reductions in the basic salaries of assistant Federal reserve agents and members of the staff of the agent's department, which were made effective on November 16, 1932, are discontinued as of the close of business on June 30, 1933.

Approved.

Telegraphic reply on July 14, 1933, approved by six members of the Board, to a telegram dated July 13 from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, stating that at the meeting of the executive committee of the bank on June 28, 1933, a resolution was adopted providing that the share-the-work plan put into effect on December 1, 1932, be terminated on June 30, 1933. The reply stated that the Board infers from the resolution of the executive committee that employees who heretofore have been regarded as having solely a temporary status are now to be treated as regular employees; but that, in view of the recommendation of the executive committee that extra employees taken on under the plan be retained during the vacation period and gradually substituted, where found satisfactory, in place of employees dying or resigning, it appears that there may be part of the employees temporarily taken on under the share-the-work plan for whom there is no work nor need for the retention of their services; and that, consequently, the Board is left in doubt as to

7/22/33

-7-

the exact facts of the situation and the justification for the retention of the surplus employees and requests advice as to the employment conditions involved in the retention as regular employees of persons who were taken on temporarily under the share-the-work plan. The reply also stated that, pending further action, the Board approves the salary payments resulting from the abolition of percentage reductions in, and the restoration of, the basic salaries of officers and employees of the bank, effective July 1, 1933, and that the reduction in the agent's basic salary and reductions in the basic salaries of assistant Federal reserve agents and members of the staff of the agent's department which were made effective on December 1, 1932, are discontinued as of the close of business on June 30, 1933.

Approved.

Reply on July 18, 1933, approved by six members of the Board, to a letter dated July 10 from Mr. Williams, Chairman of the Federal Reserve Bank of Cleveland, referring to the Board's letter of June 23, 1933, and stating that the board of directors of the bank, at its meeting on July 7, determined to terminate, as of July 16, 1933, the reductions in salaries of officers and employees which have been in effect at the bank under the share-the-work plan, it being contemplated that persons temporarily employed by the bank in accordance with the plan who have proven to be capable and for whom there is necessary work in the bank's organization, will be retained on the permanent rolls of the bank under the appropriate classifications provided in the bank's personnel classification plan. The reply stated that the Board approves the salary payments involved in the action taken by the directors, and discontinues, as of July 16, 1933, the reduction

7/22/33

in the Federal reserve agent's basic salary and the reductions in the basic salaries of the assistant Federal reserve agents and other members of the staff of the agent's department which were made effective in accordance with the share-the-work plan.

Approved.

Reply on July 18, 1933, approved by six members of the Board, to a letter dated July 13 from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, advising that at the meeting of the board of directors of the bank on that date, following consideration of the resolution inclosed in the Board's letter of June 23, with regard to salaries of officers and employees at the Federal reserve banks, a resolution was adopted providing that, effective as of August 1, 1933, the salaries of the officers and employees of the Federal Reserve Bank of Richmond shall be restored to the basis of 1932, with such exceptions in the salaries of employees as any condition in their employment justifies. The reply stated that it is assumed that this action of the directors contemplates that the salaries which were in effect at the bank on December 31, 1932, will be reestablished, except in certain cases where it is felt that circumstances exist which do not justify an increase in the salary to the rate which was in effect on that date; that, on this basis, the Board approves the salary payments involved in the action taken by the directors of the bank; but that it is requested that the Board be advised as to the exceptional cases above referred to and as to the conditions which it is felt make special salary adjustments desirable in such cases. The reply stated further that the Board also discontinues, as of August 1, 1933, the reduction in the Federal reserve agent's salary and the reductions in the salaries of the assistant Federal reserve agent and other members of the

7/22/33

-9-

78

staff of the agent's department which were made effective on January 1, 1933.

Approved.

Telegraphic reply on July 14, 1933, approved by six members of the Board, to a telegram dated July 12 from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, referring to the Board's telegram of July 7 and inquiring whether the restoration of the 5% reduction in the salaries of officers must be submitted to the Board for approval before they become effective, or whether it is intended that the bank submit only cases where an increase in excess of the 5% reduction is given. The reply stated that the Board's telegram of July 7 contemplated submission to it for specific approval only the salaries of officers, if any, which, after abolishing the 5% reduction in effect prior to July 1, 1933, will be at rates higher than the rates on which such 5% deduction was based; and that, as to employees, salaries should be submitted to the Board for approval only in cases where the rates actually to be paid beginning July 1 will be in excess of maximum rates for their respective grades under applicable provisions of the personnel classification plan or where such employees occupy appraised positions and the rates actually to be paid beginning July 1 will be higher than the rates on which the 5% reduction was based. The reply also stated that the reduction in the agent's basic salary and the reductions in the basic salaries of assistant Federal reserve agents and members of the staff of the agent's department which were made effective on January 1, 1933, are discontinued as of the close of business on June 30, 1933.

Approved.

Reply on July 18, 1933, approved by six members of the Board, to

7/22/33

-10-

a letter dated July 10 from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that at the meeting of the board of directors of the bank on July 7, 1933, following consideration of the resolution inclosed in the Board's letter of June 23, a resolution was adopted terminating, as of the close of business on July 31, 1933, the share-the-work plan in effect at the bank and providing that the basic salaries of officers and employees as fixed at the meeting of the directors on January 12 be reestablished as of August 1, 1933, and continued for the remainder of the current year. The reply noted that the resolution also instructs the officers to take steps at once to establish the personnel of the bank on the usual full time and permanent basis, and stated that it is assumed that these instructions contemplate that employees placed temporarily on the rolls of the bank, in accordance with the share-the-work plan, who have proven to be capable and for whom there is necessary work in the bank's organization will be retained on the permanent rolls of the bank under the appropriate classifications provided in the bank's personnel classification plan. The reply also stated that, on this basis, the Board approves the salary payments involved in the action taken by the directors, and discontinues, as of August 1, 1933, the reduction in the Federal reserve agent's basic salary and the reductions in the basic salaries of the assistant Federal reserve agents and other members of the staff of the agent's department which were made effective on January 1, 1933, in accordance with the share-the-work plan.

Approved.

Telegram dated July 14, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by six members of the Board, referring to the Board's telegram of July 8 with regard to the discontinuance of the share-

7/22/33

-11-

the-work plan at the bank, and stating that the reduction in the agent's basic salary and the reductions in the basic salaries of assistant Federal reserve agents and members of the staff of the agent's department which were made effective on January 1, 1933, are discontinued as of the close of business on June 30, 1933.

Approved.

Reply on July 11, 1933, prepared in accordance with the action taken at the meeting of the Board on July 7, and approved by six members of the Board, to Governor Harrison's letter of July 6 to Governor Black in regard to proposed increases in the salaries of Mr. Jay E. Crane, Deputy Governor, and Mr. Walter S. Logan, Deputy Governor and General Counsel. The reply stated that Governor Harrison's letter was discussed at a meeting of the Board; that the Board has had the feeling for some time past that, as Governor Harrison's letter indicates, there are inconsistencies in the scale of salaries now paid to senior officers of the Federal Reserve Bank of New York; that it is understood that the board of directors of the bank has been giving serious thought to the advisability of readjustments which, in some instances, might involve lowering particular salaries, even though in others, such as those above mentioned, the directors might feel that salaries should be raised; and that, in the circumstances, the Board suggests that the salaries of all senior officers of the bank be reviewed carefully by the board of directors in the light of the varying responsibilities of these officers and the quality and extent of services that each individual is now rendering in his particular capacity. The reply also stated that, when this has been done, the Board will be glad

7/22/33

-12-

to receive and consider a schedule setting forth the adjustments which would be appropriate and reasonable in the judgment of the board of directors, and that, in the meantime, therefore, the Board will hold in abeyance the consideration of the action referred to in Governor Harrison's letter of July 6.

Approved.

Telegraphic reply on July 20, 1933, approved by seven members of the Board, to a letter dated July 17 from Mr. Newton, Federal Reserve Agent at Atlanta, stating that, subject to the approval of the Board, he had appointed Mr. L. M. Clark as assistant Federal reserve agent at the bank, with salary at the rate of \$7,500 per annum. The reply stated that the Board approves the appointment with salary at the rate stated.

Approved.

Reply on July 13, 1933, approved by seven members of the Board, to a letter dated July 5 from Mr. Williams, Federal Reserve Agent at Cleveland, advising that, effective July 3, Mr. Howard B. Pretzer was employed as an examiner in the Federal reserve agent's department of the bank, with salary at the rate of \$3,600 per annum. The reply stated that the Board approves the designation of Mr. Pretzer as an examiner at the salary named. The reply also stated that, in this connection, authority was granted to the agent by the Board in March of this year to employ such examiners as might be required as soon as suitable men could be found, with the understanding that prompt telegraphic advice of such appointments would be forwarded to the Board; that inasmuch as, under the provisions of the Federal Reserve Act, appointments of examiners

7/22/33

-13-

82

are subject to the approval of the Federal Reserve Board, it is the desire of the Board that whenever possible its approval of an appointment of an examiner be obtained prior to the date on which such examiner enters upon his duties; and that, upon receipt of detailed information as to any prospective appointee, either by wire or letter, the Board will give prompt attention to the matter.

Approved.

Telegram dated July 18, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by five members of the Board, replying to Assistant Federal Reserve Agent Fletcher's letter of July 15 requesting the Board's approval of the appointment of Mr. Sherman Shull as an examiner in the Federal reserve agent's department of the bank, with salary at the rate of \$4,000 per annum, effective August 1, 1933. The reply stated that the Board approves the appointment with salary at the rate stated.

Approved.

Telegraphic reply on July 15, 1933, approved by four members of the Board, to a telegram dated July 13 from Mr. Newton, Federal Reserve Agent at San Francisco, stating that, subject to the approval of the Federal Reserve Board, he had appointed Mr. S. L. Stewart as an examiner in the Federal reserve agent's department of the bank, with salary at the rate of \$300.00 per month, effective July 17, 1933, with the understanding that his employment is to continue as long as there is need for his services. The reply advised that the Board approves the appointment referred to with salary at the rate stated in accordance with the understanding outlined in the agent's telegram.

Approved.

7/22/33

-14-

Telegraphic reply on July 20, 1933, approved by six members of the Board, to a letter dated July 14 from Mr. Newton, Federal Reserve Agent at San Francisco, requesting the Board's approval of the appointment on a permanent basis of Mr. Charles P. Weigand as an examiner in the Federal reserve agent's department of the bank, with salary at the rate of \$4,200 per annum, effective July 1, 1933; Mr. Weigand having been employed previously on a temporary basis, with salary at the rate of \$3,600 per annum. The reply stated that the Board approves the appointment with salary at the rate stated.

Approved.

Telegraphic reply on July 15, 1933, approved by five members of the Board, to a letter dated July 10 from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, requesting approval by the Board of an increase from \$2,160 to \$2,400 per annum in the basic salary of Miss Clifford J. Parks, a nurse in the service department of the bank, effective July 1, 1933. The reply stated that the Board approves the salary as recommended.

Approved.

Reply on July 18, 1933, approved by six members of the Board, to a letter dated July 11 from Mr. Austin, Federal Reserve Agent at Philadelphia, transmitting reports of indebtedness and outside interests of the Federal Reserve Agent at Philadelphia and the members of his staff. The reply stated that among the statements attached to the agent's letter it has been noted that an indebtedness of Mr. Z. G. Fenner, an employee in bank examination work, was incurred to buy securities; that it will be appreciated if the agent will advise whether any of these securities include those of banking institutions or their affiliates or subsidiaries;

7/22/33

-15-

that there is also noted an indebtedness of Mr. Arthur E. Post to the Pennsylvania Company of Philadelphia, on which the balance due is \$970.08, upon which Mr. Post is the indorser and which he expects to pay; and that the Board desires further information regarding this indebtedness and wishes to know whether the Pennsylvania Company referred to is The Pennsylvania Company for Insurances on Lives and Granting Annuities, which is a member of the Federal Reserve System. The reply also stated that on the agent's statement there is noted a list of outside business connections which he holds, including that of director of the Insurance Company of the State of Pennsylvania; director of the Philadelphia Bourse; director of the Theodore Presser Company; trustee of the Presser Foundation; and Treasurer of the Philadelphia Chamber of Commerce; that it is understood that the Insurance Company of the State of Pennsylvania is actively engaged in fire, marine and other insurance business to a considerable extent, that the Philadelphia Bourse is the stock exchange of Philadelphia, that the Theodore Presser Company is actively engaged in the business of a music publishing house, and that the Presser Foundation is an endowment fund for charitable purposes; that it is assumed that the position of Treasurer of the Philadelphia Chamber of Commerce involves the responsibility for its funds and the proper disposition thereof; and that, if this information is correct, it is the view of the Board that the agent's official connection with these activities in the capacities stated is inconsistent with the views expressed by the Board in its circular letter of May 7, 1924, and the reference thereto in its circular of April 29, 1933, with the possible exception of the Presser Foundation, as to which the Board

7/22/33

-16-

would wish to be more fully advised. The reply stated further that when the agent has considered the matter further, the Board desires to be advised as to what steps he decides to take with respect to the continuance of these relationships.

Approved.

Reply on July 12, 1933, approved by seven members of the Board, to a letter dated July 5 from Mr. Williams, Federal Reserve Agent at Cleveland, transmitting reports, as of July 1, 1933, of indebtedness and of outside business connections of members of the staff of the Federal Reserve Agent's Department of the Federal Reserve Bank of Cleveland. The reply noted that the agent has also forwarded to the Board similar reports covering the personnel of the auditing department of the bank, and stated that it appears from the agent's letter of May 6, 1933, that arrangements have been made to submit to the board of directors of the bank reports on the indebtedness of officers, heads of departments and other employees occupying responsible positions in the operating departments of the bank, and that since the auditing department reports directly to the chairman of the board of directors rather than to the Federal reserve agent, it is suggested that copies of the reports of indebtedness of members of the auditing staff be brought to the attention of the directors at the time reports covering the officers and employees in the other departments of the bank are submitted to the directors.

Approved.

Reply on July 18, 1933, approved by six members of the Board to a letter dated July 14 from Mr. Williams, Federal Reserve Agent at

7/22/33

-17-

Cleveland, requesting that the reports of indebtedness of members of the auditing staff of the bank which were inclosed with his letter of July 5 be returned to him for photostating and submission to the board of directors in accordance with the suggestion contained in the Board's letter of July 12. The reply inclosed the reports referred to and stated that it will not be necessary to return them to the Board, as a transcript of the information with regard to outside business connections of such employees had been taken from the reports. The reply also noted from the agent's letter that, with the exception of one officer of the bank, who is affiliated with a small closed family corporation which is now in liquidation, none of the officers or employees holding responsible positions in the operating departments of the bank and its branches has any outside business affiliations.

Approved.

Reply on July 22, 1933, approved by seven members of the Board, to a letter dated July 18 from Acting Governor Johns of the Federal Reserve Bank of Atlanta in regard to outside business interests of officers, heads of departments and other employees holding responsible positions in the Federal Reserve Bank of Atlanta. The reply stated that it is noted that Mr. James A. Goethe, Assistant Manager of the Savannah Agency, has an interest in a produce store and that his time, after his banking work is over, is given to a limited amount of work in connection with that business; that it is assumed that Acting Governor Johns has satisfied himself that this particular activity does not conflict with Mr. Goethe's services to the bank nor in any way impair his efficiency and that the business carried on by the produce store does not involve any financial or other relations

7/22/33

-18-

that might be embarrassing to the Federal reserve bank; but that it will be appreciated if Acting Governor Johns will confirm this assumption.

Approved.

Reply on July 20, 1933, approved by seven members of the Board, to a letter dated July 10 from Mr. Stevens, Federal Reserve Agent at Chicago, with regard to outside business affiliations of officers and employees of the Federal Reserve Bank of Chicago. The reply noted that members of the family of Assistant Deputy Governor Netterstrom own a third interest in the American Flange and Manufacturing Company of Chicago and that he represents them as a director, and stated that the agent's letter does not contain any information regarding the business activities of this company and the Board does not have available to it other means of information as to this concern, but that it appears that it falls within the purview of the Board's letter of May 7, 1924; and, therefore, the Board feels that Mr. Netterstrom should consider the possibility of terminating his connection as a director of the company. The reply also stated that the agent's letter contains the statement that Assistant Deputy Governor Buss is President of the City National Company of Miami, Florida, and Treasurer of the M. F. Comer Bridge and Foundation Company of the same city; that these positions appear clearly to be within the scope of the Board's letter; that, inasmuch as Mr. Buss is not serving actively in either capacity, there would seem to be no reason why the connections should not be discontinued; and that it will be appreciated if the agent will advise the Board as to the action taken by Messrs. Netterstrom and Buss with a view to the discontinuance of the

7/22/33

-19-

88

affiliations referred to. The reply added that the Board also notes from the agent's letter that, if the employment of Mr. A. H. Vogt, Chief Clerk at the Detroit branch, is placed on a continuing basis, he will dispose of his interest in Roswell-Cook Company of Detroit, and that the Board assumes that this question will be determined in the near future and wishes to be advised as to the action taken.

Approved.

Reply on July 13, 1933, approved by seven members of the Board, to a letter dated June 30 from Mr. Wood, Federal Reserve Agent at St. Louis, inclosing an excerpt from the minutes of the meeting of the directors held on June 23 with regard to indebtedness of officers and employees of the bank. The reply noted from the excerpt that following a consideration of the Board's letters of April 29 and May 16, 1933, Governor Martin was requested to instruct all officers and employees of the bank and its branches that they should refrain from incurring any indebtedness to others except for legitimate and necessary purposes, and that whenever any such indebtedness is incurred by them, other than current bills for ordinary personal and household expenses, there should be a prompt disclosure of all the facts to the board of directors of the bank. The reply also stated that, while the last paragraph of the excerpt indicates that an informal report was made to the executive committee at some time prior to the meeting of the directors, it is not clear whether such report covered outside business connections in addition to existing indebtedness, and whether a report of outside business connections of officers, heads of departments and employees occupying responsible positions in the bank, as well as the Federal reserve agent and members of his staff, will be submitted to the Board, and that it will be appreciated

7/22/33

-20-

if the agent will advise the Board more fully as to these matters.

Approved.

Reply on July 13, 1933, approved by seven members of the Board, to a letter dated July 1 from Mr. Peyton, Federal Reserve Agent at Minneapolis, inclosing reports of indebtedness of employees on his staff. The reply stated that among the reports submitted it has been noted that Harry C. Jones, an examiner, apparently has been indebted to the Federal Reserve Bank of Minneapolis for \$100 since May 16, 1931, as an advance for traveling expenses, and that it will be appreciated if the agent will advise the Board as to the reasons why this advance has been carried in an unpaid status for so long a time without indication of repayment upon the submission of traveling expense accounts.

Approved.

Reply on July 20, 1933, approved by seven members of the Board, to a letter dated July 12 from Mr. Walsh, Federal Reserve Agent at Dallas, transmitting reports, as of July 1, 1933, of indebtedness of members of the staff of the Federal reserve agent's department of the Federal Reserve Bank of Dallas, together with similar reports covering the personnel of the auditing department of the bank. The reply referred to the agent's letter of July 9, 1933, advising that arrangements were being made to place before the board of directors of the bank reports showing the indebtedness of officers and employees occupying responsible positions in the operating departments of the bank, and stated that, as the auditing department reports directly to the chairman of the board of directors rather than to the Federal reserve agent, it is suggested that the information with regard to the indebtedness of members of the agent's auditing staff also be brought to the attention of the directors. The reply also noted particular-

7/22/33

-21-

ly the analysis of the indebtedness of Mr. C. C. Hall, Assistant Federal Reserve Agent; that there has been no reduction in any of it since it was incurred; that it includes an indebtedness to the First National Bank in Dallas incurred on December 1, 1924, in the amount of \$2,200, for "temporary needs, and investments"; and stated that, although the statement is made that it is in progress of liquidation by quarterly payments, it appears that the unpaid balance is the same as the original indebtedness; that it also appears that among the collateral held as security for the indebtedness are twenty shares of stock of the Idabel National Bank of Idabel, Oklahoma; that, as indicated in the Board's letter of April 29, 1933, the Board feels that it is advisable for officers of Federal reserve banks to refrain from acquiring or holding any interest in member banks which might result in any questions being raised as to the independence of their judgment or their disinterestedness in the discharge of their responsibilities to the Federal reserve bank; that these views apply with particular force to members of the staff of the Federal reserve agent, in view of their special functions in relation to member banks; and that the Board will appreciate it, therefore, if the agent will take the matter up with Mr. Hall and request that he give careful consideration to the possibility of disposing of the shares of stock of the Idabel National Bank and any other stock that he may hold in any other bank, as well as the early liquidation of his indebtedness to the First National Bank in Dallas. The reply stated further that, upon reviewing the reports of indebtedness of other members of the staff of the Federal reserve agent, it was noted that there were several cases of loans made by the Federal Reserve Savings and Investment Association for the purchase of automobiles; that

7/22/33

-22-

it will be appreciated if the agent will submit to the Board a statement of the loan policies of the association with special reference to the use of proceeds of such loans for purposes of this character; that the Board also noted several other cases of indebtedness on the part of members of the staff of the Federal reserve agent to banks which are members of the Federal Reserve System, and the comment in the agent's letter upon this class of cases; and that the Board feels that it would be desirable for the agent to give special attention to them with the view of ascertaining the practicability of liquidation of such indebtedness within a reasonable time.

Approved.

Telegraphic reply on July 18, 1933, approved by five members of the Board, to a telegram addressed to Governor Black on that date by Governor Norris of the Federal Reserve Bank of Philadelphia, who was in Welchpool, New Brunswick, on vacation, stating that Deputy Governor Hutt had advised him of the meeting of the Federal Open Market Committee on July 20, 1933, and had expressed doubt as to whether the Board would permit representation of the Federal reserve banks by alternates, that it would be impossible for him to attend the meeting of the Federal Open Market Committee on July 20, 1933, and that he felt confident that the Board would permit Deputy Governor Hutt of the Federal Reserve Bank of Philadelphia to represent the bank as an alternate. The reply stated that since Governor Norris stated that it would be impossible for him to attend the meeting referred to, the Board had no objection to the attendance of Deputy Governor Hutt, and that his status as an alternate would be discussed at that time.

Approved.

7/22/33

-23-

Letter dated July 12, 1933, to Mr. Williams, Chairman of the Federal Reserve Bank of Cleveland, approved by seven members of the Board, stating that the Federal Reserve Board notes from his letter of July 8, 1933, that the board of directors of the bank, at its meeting on July 7, selected Mr. E. R. Fancher, Governor of the Federal Reserve Bank of Cleveland, as a member of the Federal Open Market Committee representing the Fourth Federal Reserve District for the balance of the current year.

Approved.

Letter dated July 19, 1933, to Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, approved by seven members of the Board, stating that the Board notes from his letter of July 13 that at the meeting of the board of directors on that date the governor of the Federal Reserve Bank of Richmond was appointed as a member of the Federal Open Market Committee representing the Fifth Federal Reserve District, and that the senior deputy governor was appointed to serve in the absence of the governor.

Approved.

Letter dated July 18, 1933, to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, approved by six members of the Board, stating that the Board notes from his letter of July 14, 1933, that the board of directors of the bank, at its meeting on that date, selected Acting Governor Johns of the Federal Reserve Bank of Atlanta as a member of the Federal Open Market Committee representing the Sixth Federal Reserve District.

Approved.

Letter dated July 21, 1933, to Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, approved by seven members of the Board, stating

7/22/33

-24-

that the Board notes from his telegram of July 19 that the board of directors of the bank had selected Mr. William McC. Martin, Governor of the Federal Reserve Bank of St. Louis, as a member of the Federal Open Market Committee representing the Eighth Federal Reserve District for the balance of the current year.

Approved.

Letter dated July 19, 1933, to Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, approved by six members of the Board, stating that the Board notes from his telegrams of July 11 and 14 that the executive committee of the Federal Reserve Bank of Kansas City had designated Governor Hamilton as a member of the Federal Open Market Committee representing the Tenth Federal Reserve District, and that his selection would be formally ratified at the meeting of the board of directors of the bank on July 20, 1933.

Approved.

Letter dated July 18, 1933, to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, approved by five members of the Board, stating that the Board notes from his letter of July 14, with which he inclosed a copy of the minutes of the special meeting of the board of directors of the bank held on that date, that the directors have selected Governor B. A. McKinney of the Federal Reserve Bank of Dallas as a member of the Federal Open Market Committee representing the Eleventh Federal Reserve District to serve until the next regular annual meeting of the board of directors to be held in January, 1934.

Approved.

Letter dated July 19, 1933, to Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, approved by seven members of the Board,

7/22/33

-25-

stating that the Board notes from his telegram of July 13 that the board of directors of the bank, at its meeting on that date, selected Governor Calkins of the Federal Reserve Bank of San Francisco as a member of the Federal Open Market Committee representing the Twelfth Federal Reserve District and Deputy Governor Day as alternate for Governor Calkins.

Approved.

Telegraphic reply on July 13, 1933, approved by six members of the Board, to a telegram dated July 11 from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, stating that the executive committee, at its meeting on July 14, would designate a representative of the bank as a member of the Federal Open Market Committee, who would attend the meeting of the Committee on July 20, 1933. The reply stated that it is not believed that the designation by the executive committee of the bank of a person to represent the bank as a member of the Federal Open Market Committee would comply technically with the statutory requirement that such representative be elected by the board of directors, until such action has been ratified formally by the board of directors; that this would not seem to be of great practical importance, however, because resolutions of the Open Market Committee have no binding legal effect; and that there would seem to be no objection to the bank's representative attending meetings pending his formal election, provided the chairman confers with all of the directors who can be reached and obtains the concurrence of a majority of the entire board. The reply also stated that the selection of the representative, in any event, should be ratified at the next succeeding meeting of the board of directors.

Approved.

7/22/33

-26-

Telegraphic reply on July 13, 1933, approved by six members of the Board, to a telegram dated July 11 from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, inquiring whether a poll of the members of the board of directors by wire for the purpose of selecting a representative of the bank as a member of the Federal Open Market Committee would meet the requirements of section 12A of the Federal Reserve Act, as amended by the Banking Act of 1933. The reply stated that technically the bank's representative would have no legal status as a member of the Federal Open Market Committee until he had been duly elected by the board of directors in accordance with the provisions of section 12A of the Federal Reserve Act; that a mere poll of the directors, without a meeting, would not technically satisfy this requirement; that this would not seem to be of great practical importance, however, because resolutions of the Committee have no binding legal effect; and that there would seem to be no objection to his attendance at meetings of the Committee pending a formal election. The reply also stated that the selection of a representative, in any event, should be ratified at the next succeeding meeting of the board of directors.

Approved.

Letters dated July 12, 1933, to the boards of directors of the Bridgewater Trust Company of Bridgewater, Massachusetts, and the Tuscola State Bank, Tuscola, Illinois, approved by seven members of the Board, stating that, subject to the conditions set forth in the individual letters, the Board approves the applications of the institutions for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Banks of Boston and Chicago, respectively, to which each of the applicants will be entitled upon the basis of its capital and

7/22/33

-27-

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

Approved.

Letter dated July 13, 1933, to the board of directors of the West Side Bank of Milwaukee, Wisconsin, approved by seven members of the Board, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Chicago to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Letters dated July 17, 1933, to the boards of directors of the Hand County State Bank, Miller, South Dakota, and the Sylvan State Bank, Sylvan Grove, Kansas, approved by six members of the Board, stating that, subject to the conditions prescribed in the individual letters, the Board approves the banks' applications for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Banks of Minneapolis and Kansas City, respectively, to which each of the applicants will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Letter dated July 18, 1933, to the board of directors of the Fayette State Savings Bank, Fayette, Ohio, approved by five members of the Board, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the

7/22/33

-28-

Federal Reserve Bank of Cleveland to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Letter dated July 17, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by six members of the Board, replying to Assistant Federal Reserve Agent Fletcher's letter of June 5 forwarding the application of the Farmers and Merchants Trust Company, Greenville, Pennsylvania, for membership in the Federal Reserve System. The reply referred to the apparent speculative and unsound banking practices of the trust company's management; stated that, in view of this situation and the other unsatisfactory features of the institution's position, including its extended condition and the lack of credit data, the Board is unwilling to give favorable consideration to the bank's application for membership at this time; and requested that the agent communicate with the bank and suggest the withdrawal of its application. The reply also stated that the Board will be pleased to consider a new application for membership when a complete examination of the bank, including detailed information as to the condition of its trust department, made independently of, or in cooperation with, State examiners, discloses that the affairs of the institution are being conducted in accordance with accepted banking practices and the institution has effected a correction of, or a material improvement in, the criticized features of its condition, including the introduction of satisfactory management.

Approved.

7/22/33

-29-

Reply on July 17, 1933, approved by six members of the Board, to a letter dated June 30 from Mr. Hoxton, Federal Reserve Agent at Richmond, with which he returned the Board's letter of June 17, 1933, addressed to the Traders Trust and Banking Company, Spencer, West Virginia, advising the bank that its application for membership in the Federal Reserve System had been approved subject to certain conditions. The reply noted the agent's objections to the comment made in the above mentioned letter to the bank relative to the concentration of its funds on deposit with the Kanawha Valley Bank, Charleston, West Virginia, and stated that, in view of all the circumstances, the Board has deleted this comment and that the amended letter was inclosed for dispatch to the bank.

Approved.

Reply on July 15, 1933, approved by six members of the Board, to a letter dated July 8, 1933, from Mr. Newton, Federal Reserve Agent at Atlanta, recommending approval of the request of the Truckers Exchange Bank, Crystal Springs, Mississippi, for an extension to November 1, 1933, of the time within which it may accomplish its admission to membership in the Federal Reserve System in the manner described and subject to the conditions contained in the Board's letter to the bank under date of June 23, 1933. The reply observed that, although Mr. Breland, the president of the bank, has asked for an extension until November 1, 1933, in order that he may place as many as possible of the additional shares of stock required to be issued in order to provide the minimum required capital stock, he is prepared to acquire the total increase in capital stock for his own account, if necessary, and stated that, in view of the considerable amount of time that might elapse since the last examination of the bank if the

7/22/33

-30-

bank were to avail itself of the full period of the extension requested and the possibility that the additional capital stock can be raised in a much shorter time, the Board feels that it is preferable to limit to a shorter period the time within which the conditions of membership may be complied with and, therefore, grants an extension until August 22, 1933, in the belief that such an extension should afford an adequate opportunity for Mr. Breland to accomplish the purpose he has in view.

Approved.

Telegram dated July 17, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by five members of the Board, replying to Assistant Federal Reserve Agent Young's letter of July 7, requesting that the Board grant an extension of the time within which the Citizens Banking Company, Anderson, Indiana, may accept the conditions of membership prescribed by the Board. The reply stated that the Board grants an extension of thirty days from July 3, 1933, of the time in which the bank may complete its membership.

Approved.

Telegraphic reply on July 17, 1933, approved by five members of the Board, to a letter dated July 11 from Mr. Peyton, Federal Reserve Agent at Minneapolis, requesting that the Board grant an extension of time within which the State Bank of Terry, Montana, may comply with the condition of membership requiring that it increase its capital to \$40,000 prior to admission to membership in the Federal Reserve System. The reply stated that the Board grants an extension of thirty days from July 27, 1933, of the time in which the bank may complete its membership.

Approved.

7/22/33

-31-

Reply on July 18, 1933, approved by six members of the Board, to a letter dated June 28 from Mr. Williams, Federal Reserve Agent at Cleveland, recommending approval of the application of the Homewood Bank at Pittsburgh, Pennsylvania, for permission to carry a reserve of 7% against its demand deposits instead of 10%, under the provisions of section 19 of the Federal Reserve Act and the Board's Regulation D. The reply stated that the Board grants permission to the member bank, effective with the semi-monthly reserve computation period beginning on July 16, 1933, to maintain a reserve with the Federal Reserve Bank of Cleveland equal to not less than 7% of the aggregate amount of its demand deposits and 3% of the aggregate amount of its time deposits.

Unanimously approved.

Telegram dated July 13, 1933, to the governors of all Federal reserve banks, approved by five members of the Board, referring to the Board's letter of February 1, 1933, (B-875), on the subject of reports of deficiencies in reserves of member banks, and requesting that the report for the first half of 1933 cover the months of January, February, April, May and June only, omitting figures for the month of March, during part of which no penalties were assessed. The telegram also stated that for the months of April, May and June the report should relate to licensed member banks and should include figures only for the period during which they were in actual operation, and that the headings on the form of report should be changed in accordance with the above instructions.

Approved.

Memorandum dated June 8, 1933, from Mr. Smead, Chief of the

7/22/33

-32-

the Division of Bank Operations, transmitting reports submitted by the Federal reserve agents at the respective Federal reserve banks as of December 31, 1932, in compliance with the Board's letter of December 4, 1926, (X-4739), covering each member bank located in outlying sections of central reserve and reserve cities, except New York City, which has been authorized by the Federal Reserve Board to carry reduced reserves, and stating that all of the Federal reserve agents recommend that present reserve requirements in the case of these banks be continued. The memorandum also stated that it is believed that these banks should continue to have such permission, inasmuch as they are not only outlying banks but the character of their business appears to correspond with that of country banks rather than with that of city banks, and that, accordingly, it is recommended that the Federal reserve agents be advised that no change will be made at this time in the list of banks authorized to carry reduced reserves.

Unanimously approved.

Letter dated July 13, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by six members of the Board, replying to Assistant Federal Reserve Agent Young's letter of June 5 inquiring whether there may be any modification or exception made to the ruling referred to in the Board's letter of February 26, 1924 (X-3977), that it shall be a condition precedent to the filing of an application by a member bank for a reduction in its reserve requirements that the applicant shall have been a member of the Federal Reserve System and in operation as such for a period of at least one year prior to the date of such application, and stating that this question has been presented by a number of new member banks located in outlying sections of Chicago. The reply referred to the review made annually by the

7/22/33

-33-

Federal reserve banks of the situation with respect to member banks which have been granted permission to carry reduced reserves, which affords an opportunity for an annual review of the Board's authorization with a view to revocation of the permit should the character of the district in which the bank is located or of its business be so changed as to warrant such action, and stated that the Board feels it is not necessary, in all cases, for a bank to be a member of the Federal Reserve System for a period of at least one year before filing an application for a reduction in its reserve requirements; and that, accordingly, if, after careful consideration of the location and the character of business of a member bank located in an out-lying district of a reserve or central reserve city, the executive committee of the Federal reserve bank is willing to recommend approval of its application for a reduction in reserve requirements on demand deposits, the Board will not refuse to consider the application because the bank has not been a member of the System and in operation as such for at least one year. The reply also requested that, in submitting the application to the Board, it will be appreciated if the agent will include in his letter a full statement of the facts upon which the recommendation of the executive committee is based.

Approved.

Letter to Mr. Austin, Federal Reserve Agent at Philadelphia, replying to a letter dated July 17, 1933, from Mr. Post, Assistant Federal Reserve Agent at Philadelphia, in regard to the revised list of licensed State member banks to be issued as of July 1, 1933. The reply referred to the statement contained in Mr. Post's letter that: "We have gone over the list and find that you have omitted the Berks County Trust Company of

7/22/33

-34-

Reading, Pennsylvania; otherwise the list is correct"; and stated that this statement is somewhat surprising to the Board in view of the discussions and correspondence which have taken place concerning the application of that bank for admission to membership in the Federal Reserve System, and that it will be appreciated if the agent will advise the Board as to the exact understanding which exists in the Federal Reserve Bank of Philadelphia as to the status of the bank.

Approved.

Letter dated July 11, 1933, to Mr. Wood, Federal Reserve Agent at St. Louis, approved by six members of the Board, stating that the Board has reviewed its files with respect to the acquisition by the Mercantile-Commerce Bank and Trust Company of St. Louis, Missouri, of all of the stock of the Mercantile-Commerce National Bank in St. Louis, except directors' qualifying shares, and the successive steps in the consideration of the violation of the condition of membership of the State bank which required it to apply for and receive the permission of the Federal Reserve Board before acquiring an interest in any other bank or trust company through the purchase of stock thereof, and that, after careful consideration, the Board feels that the agent should advise the Mercantile-Commerce Bank and Trust Company of St. Louis definitely of the Board's disapproval of the continued holding of the stock of the national bank in view of the violation of the condition of membership applicable thereto, and that it feels that the trust company should begin immediately the consideration of steps by which it will dispose of all the stock of the national bank now held by it, in such a manner that it will retain no interest therein, and that such disposition should be accomplished completely not later than December 15, 1933.

7/22/33

-35-

The letter also stated that it will be appreciated if the agent will advise the Board as to the steps he takes in this connection and keep it informed from time to time of the developments in this matter.

Approved.

Telegram dated July 13, 1933, to Mr. Wood, Federal Reserve Agent at St. Louis, prepared in accordance with the action taken at the meeting on July 11, and approved by seven members of the Board, stating that following a meeting on July 10 of the Board with representatives of the proposed South Side Bank and Trust Company of St. Louis, Missouri, the Board gave further consideration to the question whether the institution might properly be admitted to membership in the Federal Reserve System while holding capital stock of the South Side National Bank; and that, in view of the circumstances involved, the Board feels as a matter of policy that it could not properly permit the new South Side Bank and Trust Company to become a member of the System while retaining stock of the national bank. The telegram also stated that substantially the same considerations apply to the retention by the new bank of stock in the South Side National Company, the Lafayette South Side Investment Company, and the Lafayette South Side Insurance Company; and that the Board understands from Mr. Shepley and other representatives of the proposed new institution that, in the event the South Side Bank and Trust Company is admitted to membership, the stock of these corporations and any other stock which a member bank could not lawfully purchase under the provisions of section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, will be eliminated prior to admission. The reply stated further that it is understood that the elimination of the stock of the national bank will result in material changes in the proposed

7/22/33

-36-

plan of reorganization of the Lafayette South Side Bank and Trust Company which representatives of the new bank feel will substantially improve the financial condition of such bank as compared with its financial condition under the plan of reorganization which has heretofore been presented to the Board; that, accordingly, the Board has not at this time attempted to consider what will be the financial condition of the new bank, but will pass on this question when the proposed new plan of reorganization is presented to the Board; that it is assumed that the agent will keep in touch with this matter and, when the new plan is submitted, will give the Board full information regarding the financial condition of the new bank, and definite information as to the personnel and the character of its proposed management under such plan and a firm recommendation of the membership committee of the Federal reserve bank as to the action which should be taken by the Board, together with an opinion of counsel regarding the legal aspects of the new plan; and that information as to the financial condition of the new bank should include a classification of all of the assets to be acquired as a result of the reorganization.

Approved.

Telegram dated July 19, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by seven members of the Board, referring to the application of the Merchants Trust Company, Lawrence, Massachusetts, 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 Merchants Trust Company, the Federal Reserve Bank of Boston is authorized to cancel such

7/22/33

-37-

106

stock and make a refund thereon.

Approved.

Telegram dated July 17, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by five members of the Board, referring to the application of the Ludington State Bank, Ludington, Michigan, 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 Ludington State Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Letter to Mr. Curtiss, Federal Reserve Agent at Boston, stating that the Board approves the application of the First National Bank, Brunswick, Maine, for 30 additional shares of stock of the Federal Reserve Bank of Boston and revokes its approval, granted on March 14, 1933, of the application previously submitted by the national bank for 15 additional shares, which stock was not issued for the reason that the bank was placed in the hands of a conservator at the end of the banking holiday and did not reopen until June 2, 1933, at which time it issued preferred stock, partly offset by a decrease in surplus, entitling it to 30 additional shares of Federal reserve bank stock.

Approved.

Letter dated July 14, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by seven members of the Board, replying to Assistant Federal Reserve Agent Dillistin's letter of June 29 relative to the pro-

7/22/33

-38-

priety of further dividend disbursements by the Northern Westchester Bank of Katonah, New York. The reply referred to the action of the board of directors of the member bank in declaring a dividend payable June 30, 1933, and stated that, for the reason set forth in the reply, the Board feels that the condition of the institution is still not such as to warrant the payment of further dividends, and that, inasmuch as the agent's discussion of the matter with the bank directly has not produced the desired result, it is requested that he consider the advisability of enlisting the aid of the Superintendent of Banks of the State of New York in an effort to obtain the bank's assurance of a suspension of dividends until a material improvement has been effected in its condition. The reply also stated that the Board will be pleased to be advised of any action which the bank may take in regard to its future dividend policy.

Approved.

Letter dated July 17, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by six members of the Board, referring to the analysis of report of examination as of October 22, 1932, of the Endicott Trust Company, Endicott, New York, and, particularly to the institution's investment of \$136,000 in corporate stocks, and to the desirability of its compliance with the recommendation of the Superintendent of Banks of the State of New York that dividends be discontinued until further notice, and of an increase in the bank's capital in order to furnish an adequate relationship of capital accounts to its total deposit liabilities. The letter also requested that the agent furnish the Board with further information with regard to these matters, together with advice of any improvement which may have been effected in the generally unsatisfactory condition of the trust company as reflected by the report of examination referred to above.

Approved.

7/22/33

-39-

Letter dated July 18, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by six members of the Board, replying to Assistant Federal Reserve Agent Dillistin's letter of June 15 advising of the reorganization, based upon issues of preferred stock sold at a premium, and the reopening on an unrestricted basis, of the Perth Amboy Trust Company and the Raritan Trust Company, both of Perth Amboy, New Jersey, the licenses being issued by the Secretary of the Treasury through the Federal Reserve Bank of New York as of June 5, 1933. The reply stated that, since these companies were reorganized, the Board in its letter of June 20, 1933 (X-7455), has made known its views regarding reorganization plans involving essential characteristics of the ones in accordance with which these two banks reopened and it is assumed that similar plans received by the New York bank in the future will be considered in the light thereof. The reply also stated that, although but one of the banks has reopened with total capital less than it had previously, the Board considers that any reduction in capital stock, whether or not accompanied by the sale of stock increasing the capital to its original amount, or more, is within the purview of the condition of membership requiring the Board's prior approval of reductions in capital stock, to which each of the institutions is subject, and requested that the agent ascertain and advise the Board why its consent to the respective capital stock reductions was not obtained prior to giving effect thereto, together with his recommendation as to what action should be taken by the Board in the matter.

Approved.

Letter dated July 20, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by seven members of the Board, referring to the analysis

7/22/33

-40-

of report of examination as of December 21, 1932, of the Ontario County Trust Company, Canandaigua, New York, and stating that it has been noted that on the date of the examination referred to the institution was carrying forty shares of its own stock in its investment account, which were acquired on February 25, 1932, in protection of debts previously contracted, and which it wished to continue to carry until it had acquired certain other shares in a similar manner. The reply also stated that the Board is not authorized to grant permission for the holding by the trust company of the shares of its own stock longer than the period of six months from the date of acquisition thereof allowed under the provisions of section 9 of the Federal Reserve Act when acquired to prevent loss on a debt previously contracted in good faith, and that it is requested, therefore, in the event the trust company has not disposed of the shares of stock referred to, that the agent call the provisions of the law to its attention and advise it that the Board will insist that such stock be disposed of at the first practicable opportunity.

Approved.

Letter dated July 18, 1933, to Mr. Hoxton, Federal Reserve Agent at Richmond, approved by six members of the Board, replying to Assistant Federal Reserve Agent Fry's letter of July 3 inclosing copies of correspondence with the Carolina Savings Bank, Charleston, South Carolina, in connection with the charge-off of certain assets classified as losses in the report of examination of that institution as of June 7, 1933. The reply stated that the analysis of the report of examination of the member bank shows estimated losses of \$92,757, including depreciation in defaulted bonds and stocks, and other depreciation in bonds below the four highest

7/22/33

-41-

grades aggregating \$44,454; that it appears from the member bank's letter of June 29, 1933, that no action has been taken to correct this condition, other than to apply a reduction of its surplus in the amount of \$50,000 equally to loans classed as doubtful or loss and depreciation in securities investments; and requested that the agent call to the bank's attention the attitude of the Board with regard to the elimination of losses and depreciation in securities investments below the four highest grades, and that he suggest to it the desirability of conforming as far as possible to this requirement, advising the Board of any action taken by the bank in the premises. The reply also observed that about 88% of the estimated losses shown in the current report of examination of the bank represents depreciation in stocks; called attention to the regular condition of membership regarding the purchase of stocks by member banks and to section 5(c) of the Banking Act of 1933 prohibiting the purchase of stocks by member banks; and stated that it would seem to be appropriate for the Carolina Savings Bank to dispose of its holdings of stocks at the first reasonable opportunity.

Approved.

Letter dated July 20, 1933, to the Comptroller of the Currency, approved by seven members of the Board, replying to his memorandum of July 8 recommending approval of the application of the Union National Bank of Carnegie, Pennsylvania, for permission to reduce its common capital stock from \$100,000 to \$50,000 under the terms of a proposed plan which also provides for the sale of \$50,000 of preferred stock at par to stockholders and depositors, the released capital in the amount of \$50,000, together with the bank's present surplus of \$25,000 and \$24,768.15 of the undivided profits account, to be used to eliminate unacceptable assets and depreciation on securities and furniture and fixtures in the

7/22/33

-42-

amount of \$99,768.15. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply.

Approved.

Reply to a memorandum dated June 27, 1933, from the Comptroller of the Currency, recommending approval of the application of the Philson National Bank of Berlin, Pennsylvania, for permission to reduce its capital stock from \$60,000 to \$50,000, under the terms of a proposed plan which provides for the surrender of the present capital stock outstanding in the amount of \$60,000, and the resale thereof to the extent of \$50,000 par value for \$62,500, of which the premium of \$12,500 will constitute the bank's surplus upon the completion of the proposed readjustment; the released capital stock in the amount of \$60,000, together with the bank's present surplus and undivided profits amounting to \$69,389.26 and funds in the amount of approximately \$239,081.16 made available by the waiver of 45% of unsecured deposits, to be used to eliminate unacceptable assets in the amount of \$368,233.69, such assets to be trusteeed for the benefit of waiving depositors. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply, and that the Board feels that special consideration should be given to the advisability of requiring that an assessment on present shareholders be made so as to reduce correspondingly the amount which the depositors may be called upon to waive.

Approved.

Telegram dated July 15, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by five members of the Board, requesting that he advise the First National Bank at Portland, Maine, that the Federal

7/22/33

-43-

Reserve Board approves its application 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, 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.

Approved.

Letter dated July 15, 1933, to the Windsor County National Bank, Windsor, Vermont, approved by five 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, 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 Vermont, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Letter dated July 15, 1933, to the National Bank of Commerce of Charleston, West Virginia, approved by five 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, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other

7/22/33

-44-

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 West Virginia, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Letter dated July 17, 1933, to the Capital National Bank in Jackson, Mississippi, approved by five members of the Board, stating that the 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, 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 Mississippi, only in the specific trusts in which the Capital National Bank of Jackson, Mississippi, had been appointed and was acting on the date when the Capital National Bank in Jackson was authorized to commence business by the Comptroller of the Currency and as trustee in connection with an issue of bonds of the Hattiesburg Compress Company, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board; and that action has been deferred on the bank's application for full fiduciary powers until the institution has been in operation at least six months and a report of an examination made subsequent to the expiration of that period has been received. The letter also noted

7/22/33

-45-

that the operations of the trust department of the Capital National Bank of Jackson were unprofitable, and suggested that the new bank accept only such trusts from the Capital National Bank of Jackson as are of a desirable nature and which will not result in any injury to the new bank.

Approved.

Letter dated July 22, 1933, to the First National Bank in Marion, Indiana, approved by seven members of the Board, stating that the Federal Reserve Board has approved the application of the organizers on behalf of the national 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 Indiana, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Letter dated July 12, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, prepared in accordance with the action taken at the meeting on July 7, 1933, and approved by seven members of the Board, stating that the application of the National Boulevard Bank of Chicago, Illinois, for permission to act in all fiduciary capacities authorized under section 11(k) of the Federal Reserve Act, has been carefully considered and was discussed at a meeting of the Board; that, among other things, the Board noted that, when the trust department of the old Boulevard Bridge Bank of Chicago was examined as of March 27, 1933, by a national bank examiner, the examiner stated that

7/22/33

-46-

the amount of trust business developed since the department was organized in 1925 had been small; that there were no indications that any great amount of future business would be developed; that the trust department was being operated at a loss which amounted to \$1,400 in 1931 and \$9,500 in 1932; and that it was recommended that the trust department be liquidated and not taken into the new bank. The letter also stated that the Board was advised that the department holds a considerable number of accounts under trust agreements covering real estate of bank borrowers; that Mr. Young, Assistant Federal Reserve Agent at Chicago, stated in a conversation on June 30 that these trusts should not be taken over; that the Board also noted that in a wire of the same date Mr. Young said that he had talked with the president of the applicant bank, who stated that it was not intended to take over real estate trusts which were not absolutely clean and desirable and that new trusts of a character which had been criticized would not be taken into the applicant bank; that, in this connection, it was observed that the new trust department would be under the management of Mr. Charles F. Meyer, who had conducted the trust department of the old Boulevard Bridge Bank since 1926; and that it also appeared that, although there has been a substantial amount of new cash paid into the bank and a large amount of deposits of William Wrigley, Jr., Company, was subordinated, approximately \$1,200,000 of assets in the slow classification and approximately \$1,100,000 of assets classified as doubtful and loss remain in the new bank. The letter stated further that, after discussing the matter, the Board is not prepared at this time to grant the application of the national bank for trust powers.

Approved.

7/22/33

-47-

Letter dated July 21, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by seven members of the Board, replying to Assistant Federal Reserve Agent Fletcher's letter of June 15 requesting advice as to whether conditions of membership numbered 15, 16 and 17, with regard to the administration of trusts by State member banks, set out in the Board's letter of March 11, 1933 (X-7356), are applicable to banks admitted to membership prior to March 11. The reply stated that conditions of membership prescribed by the Board are applicable only to State institutions for which they are prescribed at the time of admission to membership and that, accordingly, only the State member banks and trust companies for which conditions numbered 15, 16, and 17 were prescribed at the time of their admission to membership are subject to the requirements of these conditions. The reply also stated, however, that in the agent's contacts with any member trust company or State bank exercising trust powers, it would be appropriate for him to call attention to the Board's views as indicated by the conditions numbered 15, 16 and 17 and to suggest that such institution comply with the provisions of these conditions in the administration of its trust department even though these conditions were not prescribed when it was admitted to membership.

Approved.

Reply on July 20, 1933, approved by seven members of the Board, to a letter dated June 14 from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, replying to the Board's letter of May 10, 1933, with regard to the examination of the Federal Reserve Bank of Kansas City, made by the Board's examiners as of January 4, 1933. The Board's reply contained further comments with regard to the pledging of ineligible collateral as security for issues of Federal reserve notes, and with regard to the safe-

7/22/33

-48-

keeping of securities for member banks, State, county and municipal officials, and receivers of closed banks.

Approved.

Telegraphic reply on July 17, 1933, approved by six members of the Board, to a telegram of that date from Governor Harrison of the Federal Reserve Bank of New York, referring to a letter addressed by him to the Board on July 13, with regard to participation by the Federal Reserve Bank of New York in a renewal of the central bank credits to the National Bank of Hungary, and stating that advice has been received from the Bank for International Settlements that until negotiations with respect to a longer term renewal of the credits are completed, and beginning at the maturity of the present renewals on July 18, 1933, it is proposed by common consent to renew the credits on a day to day basis, subject to all existing terms and conditions. The telegram also stated that it is the view of the New York bank that it should assent to this proposal and requested the Board's approval so that a reply could be transmitted to the Bank for International Settlements on July 17. The reply stated that, pending the completion of negotiations for a longer term renewal of the credits to the National Bank of Hungary, the Federal Reserve Board offers no objection to the Federal Reserve Bank of New York, if authorized by its executive committee, renewing its participation in the credits on a day to day basis beginning July 18, 1933, subject to all existing terms and conditions and provided all other participants agree to do likewise.

Approved.

Telegraphic reply on July 21, 1933, approved by seven members of the Board, to Governor Harrison's letter of July 13 in which a resolution adopted by the board of directors of the bank on that date with regard to

7/22/33

the renewal of the bank's participation in the central bank credits to the National Bank of Hungary. The reply stated that the Board offers no objection to the acceptance of partial repayment of the bank's participation of approximately \$4,000,000 in the credits to the National Bank of Hungary, in accordance with the resolution adopted by the board of directors on July 13, and the renewal for a period not to exceed three years of the remaining unpaid balance of such participation, after such partial repayment has been made, by the purchase of an equivalent amount of prime commercial bills indorsed or guaranteed by the National Bank of Hungary, with the understanding that the other principal participants in the credits will renew the unpaid balance of their participations for the same period of time as the Federal reserve bank renews its participation, and that the terms of the credits with respect to the bank's participation therein will be the same as heretofore except that the first syndicate credit will bear no interest and the second syndicate credit will bear interest at the rate of 1% per annum plus an amortization payment at the rate of 2% per annum. The reply also requested that, if and when the credits are renewed in accordance with the resolution referred to, the Board be advised as to the exact dollar amount of partial repayments on the credits received by the bank in connection with the renewal of the unpaid balance.

Approved.

Reply on July 17, 1933, approved by five members of the Board, to a letter dated July 13 from Governor Harrison of the Federal Reserve Bank of New York, referring to the relationships and transactions of Federal reserve banks with foreign banks or bankers under the terms of section 14(g) of the Federal Reserve Act, as amended by section 10 of the Banking Act of 1933, and stating that it is the understanding of the bank that it will be

7/22/33

-50-

119

agreeable to the Board for the Federal Reserve Bank of New York to continue existing relationships which have been established, with the approval of the Federal Reserve Board, with foreign banks and to continue, as in the past, the normal transactions incidental to such relationships. Governor Harrison's letter also referred to the Board's letter of July 6, 1933, on this subject to the governor of the Federal Reserve Bank of Boston, and stated that the New York bank will be glad to discuss the whole subject with the Board at any time and to cooperate to the fullest extent in following such procedure as the Board may approve in connection with the relationships and transactions of the New York bank with foreign banks and bankers. The reply stated that there are in course of preparation tentative regulations for the consideration of the Board with respect to such relationships and transactions in connection with the proposed regulations governing open market operations, and that, pending the issuance of such regulations, Governor Harrison's understanding, as stated above, is correct. The reply also stated that the Board appreciates the expression contained in his letter of the New York bank's desire to cooperate in the relationships and transactions of the bank with foreign banks or bankers.

Approved.

Letter received from Governor Harrison of the Federal Reserve Bank of New York, under date of July 8, 1933, and circulated among the members of the Board, containing a report of discussions in London in which he participated from June 11 to June 16, 1933, separately with representatives of the Bank of England and the Bank of France and jointly with representatives of the Treasury Department of the United States, the British and the French treasuries.

Noted.

7/22/33

-51-

Reply on July 18, 1933, approved by six members of the Board, to a letter dated July 10 from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, advising of the amendment of Article V of the by-laws of the El Paso branch so as to make the appointment of an assistant cashier at the branch optional with the directors of the Federal Reserve Bank of Dallas. The reply stated that, in accordance with the request contained in the chairman's letter, the Board approves the amendment referred to.

Approved.

Letter dated July 14, 1933, to the chairmen and governors of all Federal reserve banks, approved by seven members of the Board, stating that the authority granted by the Board to all Federal reserve banks in its circular of July 26, 1932 (X-7215a), as amended by its letter of January 23, 1933 (X-7329), to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and that circular, will expire at the close of business on July 31, 1933; and that the Board has decided to extend such authorization for an additional six months, and, accordingly, has further amended section II of its circular of July 26, 1932 (X-7215a), to read as follows:

"AUTHORIZATION BY THE FEDERAL RESERVE BOARD.

The Federal Reserve Board, pursuant to the power conferred upon it by the amendment hereinbefore quoted, hereby authorizes all Federal reserve banks, for a period ending at the close of business on January 31, 1934, to discount eligible notes, drafts and bills of exchange for individuals, partnerships and corporations, subject to the provisions of the law, the Board's regulations, and this circular."

Approved.

7/22/33

-52-

Letters dated July 18, 1933, approved by six members of the Board, to The Chase Bank, New York City, an Edge Act corporation, and to the French American Banking Corporation and the International Banking Corporation, both State foreign banking corporations of New York City operating under agreement with the Federal Reserve Board, requesting that they furnish the Board with the information asked for in a memorandum inclosed with each letter. The letters requested that the corporations arrange to file the report of their head offices and domestic branches, if any, as soon as possible, and reports of foreign branches, agencies, offices, affiliated institutions and subsidiaries, if any, as soon as received. The letters also stated that it will be appreciated if, after these reports have been received from all of the foreign branches, agencies, offices, affiliated institutions and subsidiaries, if each corporation will prepare and send to the Board, a consolidated statement of the corporation.

Approved.

Telegraphic reply on July 13, 1933, approved by seven members of the Board, to a telegram addressed to Governor Black under date of July 11 by Governor McKinney of the Federal Reserve Bank of Dallas requesting the Board's views on the suggestion that the bank rediscount paper for the Regional Agricultural Credit Corporation at Forth Worth, Texas, rather than participate in purchases of Government securities for System account. The reply stated that Mr. George M. Brennan, Acting Emergency Credit Commissioner, who has supervision of the regional agricultural credit corporations, says that there has been no change in the general policy with respect to rediscounting paper of the corporations, although they plan to have it handled

7/22/33

-53-

to some extent by intermediate credit banks, and that they do not contemplate submitting any such paper to the Federal reserve banks. The reply also stated that with respect to the effect of the bank discounting such paper instead of participating in open market purchases of Government securities for System account, it should be borne in mind that it would be necessary for the other Federal reserve banks to take over the share of the Federal Reserve Bank of Dallas in case it did not participate, and that the other Federal reserve banks have their own local problems.

Approved.

Letter dated July 12, 1933, to Governor Harrison of the Federal Reserve Bank of New York, approved by seven members of the Board, stating that the Board has noted certain statements in New York papers, particularly the Journal of Commerce and The New York Times of July 8, based upon an announcement issued by the Superintendent of Banks in New York concerning the formation of the Savings Banks Trust Company and particularly the portion of the newspaper comment to the effect that "The Federal Reserve Bank of New York has indicated its willingness to extend facilities up to \$100,000,000". The letter also stated that it will be appreciated if Governor Harrison will advise the Board as to the developments in this matter up to date, including particularly the basis, if any, upon which the Federal Reserve Bank of New York has entered into any commitment regarding the extension of credit facilities to the new institution.

Approved.

Memorandum dated July 18, 1933, from Mr. Smead, Chief of the Division of Bank Operations, stating that the general caption "RESOURCES",

7/22/33

-54-

heretofore appearing above the detailed statement of assets in the forms used by member banks in submitting quarterly condition reports, was changed to "ASSETS" in both the Comptroller's and the Board's forms to be used by member banks in submitting their reports as of June 30, 1933, and recommending that the same change be made in the weekly press statements showing the condition of Federal reserve banks. The recommendation was approved by seven members of the Board on July 21, 1933.

Approved.

Letter dated July 20, 1933, to Mr. Woodin, Secretary of the Treasury, approved by seven members of the Board, inclosing a letter received by the Board from the Governor of the State of Ohio, under date of June 30, and a copy of the Board's proposed reply thereto, also approved by seven members of the Board, with regard to the question raised in Governor White's letter as to whether a nonmember State bank which has obtained agreements from its depositors restricting their right to withdraw their deposits would be ineligible for admission to membership in the Federal Reserve System. The letter to the Secretary of the Treasury referred to section 9 of the Federal Reserve Act which requires the Board, in acting upon the application of any State bank for membership in the Federal Reserve System, to consider, among other things, the financial condition of the applying bank; to a ruling of the Treasury Department of April 3, 1933, with regard to licenses granted to member banks to reopen; and to a statement contained in a telegram which the Secretary of the Treasury sent to State banking authorities in each State on March 11, 1933, with regard to the licensing of member banks; and stated that the Board does

7/22/33

-55-

not wish to approve any applications of State banks for membership in the Federal Reserve System under circumstances which may later subject such banks to the revocation of the licenses granted by the Treasury Department at the time of their admission to membership, and that it will be appreciated if the Secretary of the Treasury will give consideration to the proposed letter to the Governor of the State of Ohio and give the Board any suggestions he may have with regard thereto. The proposed letter to the Governor of Ohio stated that the Board has taken the position that the fact that there are in existence agreements of depositors waiving their right to demand payment of a portion of their deposits for a specified period of time does not make a bank ineligible for membership in the Federal Reserve System, and the Board, in a few instances of this kind, has admitted banks to membership in the System where their condition was otherwise satisfactory; but that in some cases involving so-called waivers of deposits which have come to the Board's attention, it has been found that, although depositors waived their right to demand immediate payment of their deposits, the bank remained liable to repay such deposits at some future time and, when such liability was taken into consideration the bank's capital was impaired or wiped out, in which case the bank was not eligible for membership in the Federal Reserve System. In response to the reference in Governor White's letter to the form of agreement which it appears was exacted from depositors by the Commercial Savings and Trust Company of Ashtabula, Ohio, the proposed reply stated that it is noted that this agreement places in the hands of the officers of the bank the power either to pay or to withhold any amount due any depositor within the

7/22/33

-56-

restriction, since the statement is made that "the bank reserves the absolute right to withhold payment of any check and to refuse any withdrawal of funds, * * * * when the officers of the bank, in their sole judgment, determine that such action is in the best interest of the bank and its depositors"; that the existence of such an agreement in the case of a bank in sound condition and otherwise able to meet all of the requirements of admission to membership in the Federal Reserve System would raise a serious question as to the justification for vesting solely in the discretion of the officers of the bank a power to discriminate among depositors which might be exercised unfairly and arbitrarily and which would leave not only the drawers of such checks but also the subsequent holders in due course in uncertainty as to whether payment might be refused at any time, and that this would be of especial concern to the Federal reserve banks in view of the fact that they handle for collection practically all checks drawn on member banks and deposited with banks in other cities. The reply further noted that the agreement referred to involves an agreement by the stockholders of the bank authorizing the payment of any dividends on their stock to depositors who have released the bank from liability for 20% of their deposits until such depositors have been repaid the amount so released, and that it appears that, in these circumstances, the stock of the bank will have little, if any, value from the standpoint of earnings of the bank for a considerable period and accordingly will not be marketable, and stated that it is questionable whether on such basis the people of the community will retain confidence in a bank so as to enable it to maintain or increase its deposits. The reply also called

7/22/33

-57-

attention to the fact that all applications of State banks in Ohio for admission to membership must be filed with the Federal reserve agent at the Federal Reserve Bank of Cleveland, and suggested that Governor White refer any bank, which may be interested in submitting an application, to Mr. L. B. Williams, Federal Reserve Agent at Cleveland.

Approved.

Reply on July 20, 1933, approved by seven members of the Board, to a letter dated July 11 from Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reporting the results of an investigation conducted by him in accordance with the request contained in the Board's letter of June 20, 1933, in connection with certain allegations contained in a letter addressed to the Secretary of the Treasury under date of May 15, 1933, by a Mr. H. H. Harper of New Orleans, Louisiana, regarding the Hibernia Bank and Trust Company of New Orleans, Kohn, Weil & Simon, Incorporated, of New Orleans, and Mr. Leon C. Simon, a Class B director of the Federal Reserve Bank of Atlanta. The reply stated that a copy of Mr. Newton's letter is being sent to the Secretary of the Treasury for his information, and that, in the absence of advice from that office, no further action will be taken in the matter.

The letter to Mr. Newton was approved, together with a letter dated July 20 to the Secretary of the Treasury in accordance therewith, also approved by seven members of the Board.

Letter dated July 13, 1933, to Mr. Wilbur Stiers, President of the Rushville National Bank of Rushville, Indiana, approved by seven members of the Board, stating that his letter of June 30, 1933, addressed to Honorable James H. Douglas, former Assistant Secretary of the Treasury,

7/22/33

-58-

with regard to the sale of Government bonds executed by the Federal Reserve Bank of Chicago on March 14, 1933, for account of the Rushville National Bank, has been referred to the Federal Reserve Board, as was the letter which Mr. Stiers addressed to the Secretary of the Treasury under date of April 29, 1933. The letter also stated that the facts in the case, and the position of the Federal Reserve Bank of Chicago, as explained in the correspondence which that institution has had with Mr. Stiers regarding the transaction, have been reviewed, and that since the sale was handled by the Federal reserve bank in the same manner as all purchases and sales of Government securities for account of member banks are customarily handled, there does not appear to be any justification for a change in the views expressed in the letter which was addressed to Mr. Stiers by the Board under date of April 25, 1933.

Approved.

Letter dated July 21, 1933, to the Federal Home Loan Bank Board, approved by seven members of the Board, stating that the attention of the Federal Reserve Board has been called to the fact that an institution which is a member of the Federal Home Loan Bank System is using in its advertising a symbol consisting of a rectangle on which is superimposed a diamond containing the words "Member Federal Home Loan Bank System"; that it appears that the symbol is very similar in appearance to one which has been used extensively by member banks of the Federal Reserve System, the only difference being that the wording of the latter is "Member Federal Reserve System"; that, in view of the circumstances set forth in the letter, the matter is respectfully called to the attention of the Federal

7/22/33

-59-

Home Loan Bank Board since it appears that there is a danger that the use of the symbol referred to by a bank which is a member of the Federal Home Loan Bank System may result in confusion in the minds of the public; and that it is felt that the Federal Home Loan Bank Board will agree that such a result would be undesirable, regardless of whether the provisions of Section 3 of the Act of May 24, 1926, are applicable. The letter also stated that the Board is without information as to the origin of the use of the symbol by the member of the Federal Home Loan Bank System, nor has it information as to the extent to which such symbol is used by other banks, but that it is respectfully requested that the Board be advised as to whether the use of the symbol has received the approval of the Federal Home Loan Bank Board.

Approved.

Reply on July 20, 1933, approved by seven members of the Board, to two letters dated June 22 from the Banco de Mexico, S. A., Mexico City, Mexico, requesting information as to the rediscount by Federal reserve banks of acceptances issued in favor of central banks in South American countries, and inquiring as to whether the Board would approve an arrangement under which acceptances drawn in favor of the Banco de Mexico by the associated banks of the Mexican Banking System would be eligible for rediscount or purchase by Federal reserve banks. The reply stated that the Federal reserve banks are not accepting institutions and do not accept drafts drawn upon them; that national banks and State banks which are members of the Federal Reserve System are authorized, subject to certain conditions and limitations, to accept drafts or bills of exchange drawn

7/22/33

-60-

upon them; and that acceptances so created are eligible for discount, or for purchase in the open market, by the Federal reserve banks if they meet the applicable requirements contained in the Federal Reserve Act and in the regulations of the Federal Reserve Board. The reply also stated that the information given with respect to the acceptances drawn in favor of the Banco de Mexico is not sufficiently complete to enable the Board to advise whether they may be eligible for discount or purchase by a Federal reserve bank in any case, and inclosed copies of the Board's Regulations A, B and C containing the requirements as to the acceptance of drafts or bills of exchange by member banks and as to the discount and purchase of bankers' acceptances by Federal reserve banks. The reply stated further that, under certain conditions, member banks are authorized to accept drafts or bills of exchange having not more than three months sight to run, drawn by banks or bankers in certain foreign countries for the purpose of furnishing dollar exchange required by the usages of trade in such countries; that such acceptances may be eligible for discount or purchase by Federal reserve banks; and that the eligibility for discount or purchase of particular acceptances under the law and the regulations of the Board, and their acceptability from a credit standpoint, are matters that must necessarily be determined in each case by the Federal reserve bank to which such acceptances may be offered.

Approved.

Letter dated July 15, 1933, to the Federal reserve agents at all Federal reserve banks, approved by six members of the Board, stating that, in order that the Federal reserve banks may be advised as promptly as possible of the interpretations of the Banking Act of 1933 sent out by the

7/22/33

-61-

Board in response to inquiries received by it, arrangements have been made to have the letters and telegrams containing such interpretations mimeographed with the following notation at the top: "Interpretation of Banking Act of 1933. Copies to be sent to all Federal reserve banks"; that each communication will be given an X number and one copy thereof will be sent to the Governor and one copy to the Federal reserve agent at each Federal reserve bank; and that the same number of additional copies will be forwarded to the respective banks as are sent in the case of the regular letters of the Board bearing X numbers. The letter also stated that these interpretations are being sent to the banks in order that the information contained therein will be available to them in answering inquiries received in regard to the Banking Act of 1933, and that, unless otherwise indicated, the communications received from the Board in this form are not for distribution outside of the Federal reserve bank.

Approved.

Letter dated July 22, 1933, to the Federal reserve agents at all Federal reserve banks, approved by seven members of the Board, referring to the Board's letter of July 11, 1933 (X-7493), with which was inclosed a copy of a letter addressed by the Board to Acting Governor Johns of the Federal Reserve Bank of Atlanta with respect to the question who is to be considered an "executive officer" of a member bank within the meaning of section 22(g) of the Federal Reserve Act, as amended by the Banking Act of 1933, and stating that it should be understood that examiners of member banks will be expected to call attention in their reports of examination to all cases discovered by them where the positions or duties of the

7/22/33

-62-

officers involved are such as to make it appear to the examiners that there has been a violation of the provisions of section 22(g) of the Federal Reserve Act, as amended, and that Federal reserve agents are requested to report the facts of any such case coming to their attention to the local United States District Attorney and to send a full report of the matter to the Board in triplicate, as requested in the Board's letters of April 4, 1923 (X-3683), and September 1, 1927 (X-4939), in cases of violations of other criminal statutes.

Approved.

Reply on July 14, 1933, approved by five members of the Board, to a memorandum dated July 1 from Deputy Comptroller of the Currency Awalt, stating that The Bankers Trust Company of Hartford, Connecticut, and the Hartford National Bank and Trust Company of the same city, proposed to consolidate under the Act of November 7, 1918, as amended; that all of the 2,500 shares of stock of The Bankers Trust Company, except 100 shares held by the directors to qualify them for office, are owned by The Hartford National Company; and that all of the shares of The Hartford National Company are held by trustees for the benefit of the shareholders of the Hartford National Bank and Trust Company, the stock of which is divided into 400,000 shares, large blocks being held by insurance companies and other corporations, the largest number of shares held by any one corporation being 56,730 shares held by the Aetna Life Insurance Company. The letter also requested advice as to whether it will be necessary for any of the corporations referred to to secure a permit from the Board before voting on the question of approval of the consolidation agreement. The

7/22/33

-63-

reply stated that, for the reasons outlined in the letter, and on the basis of the facts presented, it does not appear that the corporations are holding company affiliates and that it will not be necessary for them, or any one of them, to obtain voting permits from the Board pursuant to the provisions of the Banking Act of 1933.

Approved.

Letter to Governor Young of the Federal Reserve Bank of Boston, in reply to a letter dated June 28, 1933, from Mr. Carrick, Secretary of the Federal Reserve Bank of Boston, requesting the Board's opinion on the question whether the Mutual Savings Central Fund, Inc., of Massachusetts, should be considered as a "bank" within the meaning of section 404 of the Act of March 9, 1933, as amended, and stating that, if loans may be made to the Fund under that section, the Fund would have a considerable amount of assets eligible as security, but that, if it were restricted to loans under section 13 of the Federal Reserve Act, as amended by the Acts of July 21, 1932, and March 9, 1933, it would have comparatively little assets which would be eligible as collateral security for advances. The reply referred to the Board's letter of May 4, 1932, advising that the Fund was not to be considered a bank for the purpose of computing reserves of member banks, and stated that, for the reasons outlined in the letter, it is the opinion of the Board that the Fund is not properly to be considered a State bank or trust company within the meaning of section 404 of the Act of March 9, 1933, as amended by the Act of March 24, 1933.

Approved.

7/22/33

-64-

Reply to a letter dated June 27, 1933, from Governor Young of the Federal Reserve Bank of Boston, requesting advice as to whether a member bank may pay interest on certain funds deposited in the bank in connection with the reopening of the bank in March of this year. It appeared that the funds so deposited were subordinated to all other deposits in the bank, that they were subject to such restrictions as to withdrawal and rate of interest as might be determined by the directors of the bank, under the authority of the Comptroller of the Currency, and that, as the directors of the bank have taken no action in respect to the withdrawal of the subordinated deposits, they are not at this time subject to withdrawal on any terms. The reply stated that, on the basis of the facts presented, it does not appear that such subordinated deposits are "deposits payable on demand" within the meaning of section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, or that payment of interest on such subordinated deposits would come within the prohibitions of section 19 so long as such deposits retain a deferred status and are not converted by the directors of the bank, with the approval of the Comptroller of the Currency, into "deposits payable on demand"; but that, in the absence of any information as to the action which the directors of the bank propose to take, and of an opportunity to examine a copy of the form of certificate issued by the bank to the subordinating depositors, the Board is unable to advise definitely whether the inhibitions of section 19, as amended, are applicable in the instant situation, and cannot undertake to rule on the question presented. The reply suggested that Governor Young submit the matter to counsel for the Federal reserve bank for an expression of

7/22/33

-65-

opinion, and stated, in regard to the bank's contention that the subordinating depositors are in the same position as if they held preferred stock of the bank, and that such depositors are entitled to receive interest on the subordinated deposits at a cumulative rate of 6% per annum, that the Board is not in position to rule on this point until it has full information as to the nature or character of the subordinated deposits in the particular bank to which the inquiry relates, including the terms of the agreement governing such subordination, and that it would be helpful to have the views of counsel for the Federal reserve bank in this connection.

Approved.

Reply on July 17, 1933, approved by six members of the Board, to a letter dated June 30 from Deputy Governor Rounds of the Federal Reserve Bank of New York, inclosing a copy of his letter of the same date to Mr. A. H. Cowie, Counsel for the First Trust and Deposit Company, Syracuse, New York. The reply stated that it appears that Mr. Cowie contends that, since the laws of New York do not require publication of reports of condition of affiliates of a trust company in that State, the publication of such reports is not required under section 9 of the Federal Reserve Act, as amended by section 5(c) of the Banking Act of 1933. The reply also stated that, after providing that each State bank or trust company which is a member of the Federal Reserve System shall obtain from each of its affiliates other than member banks, and furnish to the Federal reserve bank of its district and to the Federal Reserve Board, not less than three reports during each year, section 9 of the Federal Reserve Act, as amended by section 5(c) of the Banking Act of 1933, provides that "the reports of

7/22/33

-66-

"such affiliates shall be published by the bank under the same conditions as govern its own condition reports"; that, in view of the fact that the Federal Reserve Act does not require the publication of reports submitted to the Board and the Federal reserve banks by State member banks, the only reasonable construction that can be given to the requirement quoted above is that reports of affiliates of State member banks must be published if the State law requires such State banks to publish their own reports, even though the State law may not require the publication of reports of affiliates of State banks. The reply stated further that the conditions governing the method and frequency of publishing such reports depend upon the provisions of the State law regarding the method and frequency of the publication of reports of the State banks; and that, therefore, it is not entirely accurate to say that the reports of such affiliates must be published whenever the Federal Reserve Board calls for reports of condition of State member banks.

Approved.

Reply on July 17, 1933, approved by six members of the Board, to a letter dated July 11 from Mr. Hoxton, Federal Reserve Agent at Richmond, inclosing a copy of a letter from the Commissioner of Insurance and Banking of the State of Virginia with reference to the operation of branches by State member banks of the Federal Reserve System. The reply stated that, apparently, the Commissioner wishes to be advised as to whether a State bank, which has a paid-in and unimpaired capital stock of less than \$500,000, may become a member of the Federal Reserve System and continue to operate, outside of the city in which the parent bank is situated,

7/22/33

-67-

offices or receiving stations whose functions would be limited to receiving deposits and cashing checks. The reply also reviewed the provisions of section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, with regard to the establishment of branches by State banks, and the provisions of section 5155 of the Revised Statutes, as amended by section 23 of the Banking Act of 1933, with regard to the establishment of branches by national banks, and stated that the Board is of the opinion that an office or receiving station of a State bank at which deposits are received and checks are cashed must be considered a branch within the meaning of the provision of section 9 of the Federal Reserve Act, as amended, and that, accordingly, it is the Board's view that a State bank located in the State of Virginia, which has a population of more than 1,000,000 inhabitants, may not become or remain a member of the System and continue to operate such an office or receiving station established after February 25, 1927, beyond the limits of the city in which the parent bank is situated, unless such bank has a paid-up and unimpaired capital stock of not less than \$500,000 and complies with the other requirements applicable to the establishment and operation of branches by a national bank beyond the limits of the city in which such bank is situated.

Approved.

Reply on July 17, 1933, approved by six members of the Board, to a letter dated July 12 from Mr. Hoxton, Federal Reserve Agent at Richmond, inclosing a copy of a letter from Mr. Thomas B. McAdams, Executive Manager of the State-Planters Bank and Trust Company of Richmond, Virginia, inquiring whether the provisions of section 23A of the Federal Reserve Act,

7/22/33

-68-

as amended by section 13 of the Banking Act of 1933, are retroactive. The reply stated that it appears from Mr. McAdams' letter that the State-Planters Bank and Trust Company has two affiliates and that the investments which it had made in the capital stock of such affiliates, prior to June, 1933, exceed the limits prescribed by section 23A; that to conform to other provisions of the Banking Act of 1933 these affiliates are now being liquidated; but that, during the period of liquidation, they desire to borrow reasonable sums for expenses and other purposes; and that the bank apparently desires to know whether it may make loans to these affiliates. The reply also stated that it is clear that the provisions of section 23A do not require a member bank to dispose of any such loans to or investments in the capital stock, etc., of affiliates acquired prior to June 16, 1933; but that they forbid a member bank to make additional loans or investments of this character, if the addition of the amount of such new loans or investments to the amount of those previously existing will increase the aggregate to an amount exceeding 10% of the capital and surplus of such member bank, in the case of any one affiliate, or 20% of the capital and surplus of such member bank, in the case of all affiliates of such bank. The reply stated further that, since the investments made by the State-Planters Bank and Trust Company in the capital stock of its affiliates, prior to June 16, 1933, exceed the limits prescribed by the law, the institution may not lawfully make loans to such affiliates while it holds such investments.

Approved.

7/22/33

-69-

Reply on July 12, 1933, approved by six members of the Board, to a letter dated June 27 and a telegram dated June 28 from Acting Governor Johns of the Federal Reserve Bank of Atlanta inquiring as to whether a member bank, in view of the provisions of section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, prohibiting the payment of interest by member banks on deposits payable on demand, may absorb exchange or collection charges in connection with checks and other items received by such bank for credit to the account of a correspondent bank. The reply stated that the Board understands that, unless a sufficient balance is maintained by the correspondent bank to recompense the member bank for the absorption of such charges, a charge will be assessed against such correspondent bank; that presumably, however, there is no fixed ratio between the amount of such charges so absorbed by the member bank and the amount of the balance maintained by the correspondent; that the amount of charges absorbed is not based upon the amount of such deposit balance, but depends rather upon the number of items received in the correspondent's account, the time necessary to collect them and the manner of collection necessary; and that, moreover, it is understood when the amount of such deposit balance is above the minimum required for the absorption of such charges, there is no corresponding increase in the cost of the account to the member bank or in the benefits to the correspondent bank. The reply also stated that, upon consideration of the matter, it is the Board's opinion that the absorption of such collection or exchange charges in the circumstances described is not to be regarded as payment of interest

7/22/33

-70-

directly or indirectly within the meaning of section 19 of the Federal Reserve Act, as amended.

Approved.

Telegraphic reply on July 13, 1933, approved by seven members of the Board, to a telegram dated July 1 from Mr. Walsh, Federal Reserve Agent at Dallas, inquiring whether a verbal agreement to pay interest on demand deposits for a fixed period is a "contract" within the meaning of paragraphs B and C of the Board's telegram of June 21, 1933. The reply stated that the determinative factor is not whether the agreement to pay interest is written or oral, but whether the particular bank is under a binding obligation to pay interest on a demand deposit in accordance with a bona fide agreement, whether oral or written; that, accordingly, if an oral agreement to pay interest on demand deposits, which was entered into in good faith and in force on June 16, 1933, is a valid and binding obligation of the bank, interest may be paid in accordance with the terms thereof; and that, conversely, if a contract in respect to the payment of interest on demand deposits, whether oral or written, is subject to cancellation at the option of the bank and without liability on the part of the bank, it must be canceled as soon as possible. The reply also stated that it seems probable, however, that, in most instances of an alleged oral contract, the agreement or understanding to allow interest would not be sufficiently definite in respect to the interest period, the amount of interest, and other essentials to constitute it a valid and binding contract; that, therefore, in any case in which interest on deposits payable on demand is allowed under an alleged oral contract, the bank so allowing interest, if

7/22/33

-71-

requested to do so, must be able to show clearly to the satisfaction of the examiner duly authorized to examine such bank, or to the Federal Reserve Board, or to any other duly constituted authority that such agreement could not have been terminated legally by such bank at its option and without liability; and that no such contract may be renewed or extended without eliminating the provisions for the payment of interest.

Approved.

Letter dated July 17, 1933, to Acting Governor Johns of the Federal Reserve Bank of Atlanta, approved by six members of the Board, replying to his letter of June 22 and containing the same information with regard to the payment of interest on demand deposits in accordance with an oral contract as that set forth in the above telegram to Mr. Walsh, and the additional statement that the proviso regarding the payment of interest "in accordance with the terms of any * * * contract heretofore entered into in good faith" which was in force on June 16, 1933, does not authorize payment of interest until the end of a customary interest period unless there was a definite contract to that effect.

Approved.

Reply on July 18, 1933, approved by six members of the Board, to a letter dated July 8 from Mr. Newton, Federal Reserve Agent at San Francisco, with regard to the capital stock which State member banks located in certain states of the Twelfth Federal Reserve District are required to have in order that they may establish out-of-town branches under the provisions of section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933. The reply reviewed the provisions of section 9 of the Federal

7/22/33

-72-

Reserve Act, as amended, with regard to the establishment of branches by State member banks and the provisions of section 5155 of the Revised Statutes, as amended, with regard to the establishment of branches by national banks, and stated that a State bank, located in a State with a population of one million or more inhabitants, may not become or remain a member of the Federal Reserve System and operate a branch established after February 25, 1927, beyond the limits of the city, town or village in which the parent bank is situated, unless such bank has a paid-up and unimpaired capital stock of not less than \$500,000, the amount required of national banks in such cases; and that a State bank, located in a State having a population of less than one million and having no cities with a population exceeding one hundred thousand, or located in a State having a population of less than one-half million and having no cities with a population exceeding fifty thousand, must likewise have an amount of capital equal to that required for national banks in those States, or \$250,000 and \$100,000, respectively, in order to become or remain a member of the Federal Reserve System and operate a branch established after February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is situated. The reply also stated that, in any such case, a State member bank must comply with the other requirements applicable to the establishment and operation of branches by a national bank beyond the limits of the city, town, or village in which such bank is situated, including the requirement that the aggregate capital of such bank and its branches shall not be less than the aggregate minimum capital required by law for the establishment of an equal number of national banks situated in the various places where such bank and its branches are situated.

Approved.

7/22/33

-73-

Letter dated July 21, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, replying to Deputy Comptroller Awalt's memorandum of July 6 stating that it is proposed to consolidate the Baldwin Bank, a territorial banking institution on the Island of Maui, T. H., and the Bishop First National Bank of Honolulu, Hawaii, under the Act of November 7, 1918, as amended; that the Bishop Company, Ltd., owns substantially all of the stock of both of these banks; and that the executive vice president of the national bank desires to know what steps the company must take in order to obtain from the Board a permit to vote the stock of the national bank in connection with the proposed consolidation. The reply stated that, as neither of the banks is a member of the Federal Reserve System, it will not be necessary, for the reasons stated in the reply, for the Bishop Company to obtain a permit in order to vote the stock of the banks.

Approved.

Reply on July 12, 1933, approved by seven members of the Board, to a letter, addressed under date of June 26 by Mr. J. H. Emley, President of the Citizens National Bank of Wisner, Nebraska, to the Comptroller of the Currency and referred to the Federal Reserve Board for reply, inquiring whether his bank may issue new time certificates of deposit and agree to pay interest thereon pending the issuance of regulations by the Federal Reserve Board limiting the rates of interest which member banks may pay on time deposits. The reply stated that, pending the issuance of regulations on this subject by the Federal Reserve Board, there is no legal reason why the national bank may not issue time certificates of deposit

7/22/33

-74-

and agree to pay interest thereon at the customary and usual rate, provided that such certificates comply strictly with the definition of time certificates of deposit contained in the Board's Regulation D. The reply also stated that, in order to avoid any misunderstanding with the bank's depositors, however, it would be advisable to place on each time certificate issued since June 16, 1933, a notation to the effect that the rate of interest payable on the deposit represented thereby is subject to adjustment in accordance with such regulations as the Federal Reserve Board may issue, pursuant to the provisions of section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933.

Approved.

Telegram dated July 12, 1933, to Mr. Olson, Managing Director of the Denver Branch of the Federal Reserve Bank of Kansas City, approved by six members of the Board, stating that Mr. James Ringold, President of the United States National Bank of Denver, Colorado, discussed with Governor Black on July 7 the question of the payment by a member bank of the premium on bonds securing deposits of public funds and left with him a copy of a letter addressed to Mr. Olson by the Denver Clearing House Association, dated June 27, on this subject; that the Board understands that the amount of the premium paid by the member bank on such a bond is a certain prescribed percentage of the average amount of such funds on deposit with such bank over the period covered by the bond with provision for a minimum premium where the average amount is less than a certain amount fixed in advance; and that, in view of the fact that the amount paid by the member bank in the form of a premium on such bond in the usual case is a fixed percentage of the amount of such funds on deposit in the

7/22/33

-75-

bank, it is the Board's opinion that the payment of such premium constitutes an indirect payment of interest on such deposit within the meaning of the provision of section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, prohibiting the payment of interest on deposits payable on demand. The telegram also called attention to the fact that the provision in question does not apply to any deposit of public funds made by or on behalf of any State, county, school district or other subdivision or municipality, with respect to which the payment of interest is required under State law.

Approved.

Reply on July 13, 1933, approved by seven members of the Board, to a letter dated June 29 from Mr. Michael L. Carmody, Attorney at Law, Chicago, Illinois, requesting advice as to whether a national bank is "entitled to assistance if engaged in the investment business as well as conducting that of a national bank". The reply stated that the statement of facts contained in the letter is not sufficiently full and complete to enable the Board to answer the questions presented, and that, in the absence of more complete information as to the facts of the case, the Board does not feel that it can properly undertake to express an opinion. The reply also inclosed a copy of the Banking Act of 1933; called attention to sections 21, 32 and 33 thereof as being pertinent to the inquiry; and stated that, as none of the provisions of these sections are yet in effect, the arrangement referred to by Mr. Carmody is not at this time in violation of the provisions of such sections. The reply stated further that the Board has no authority in law to require the national bank in question to

7/22/33

-76-

furnish Mr. Carmody with a list of the bondholders referred to in his letter.

Approved.

Reply on July 17, 1933, approved by six members of the Board, to a letter dated July 3 from Mr. Leland Scrogin, Vice President of the First National Bank in Pratt, Kansas, setting forth a form of certificate of deposit which the national bank has been using and requesting advice as to whether this form complies with the requirements of the Federal Reserve Board's regulations on this subject, and with the provisions of the Banking Act of 1933. The reply stated that it is the opinion of the Board that the form of certificate of deposit set forth in Mr. Scrogin's letter complies with the requirements of the Board's Regulation D, Series of 1930, but that the Board has issued no regulations on this subject since the enactment of the Banking Act of 1933, and may change the requirements which have been made heretofore, if such action appears to be desirable after further study of the Banking Act of 1933. In response to Mr. Scrogin's inquiry, the reply also stated that section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, authorizes the Board "to limit by regulation the rate of interest which may be paid by member banks on time deposits"; that this section empowers the Board to fix a maximum interest rate which may not be exceeded by member banks, but does not contemplate that member banks will be required to pay such maximum rate, and they may pay lower rates at their option; that the Board has not yet fixed such a rate, but regulations on this subject are now in the course of preparation, and will be promulgated as soon

7/22/33

-77-

as practicable; and that, until the Board issues regulations on the subject, member banks may continue to pay interest on time deposits in accordance with their usual practice or existing bona fide contracts.

Approved.

Reply on July 17, 1933, approved by six members of the Board, to a letter, addressed under date of June 26 by Honorable Julian Gunn, Judge of the Circuit Court of the City of Richmond, Virginia, to the Secretary of the Treasury and referred to the Board for reply, inquiring whether, under section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, a member bank of the Federal Reserve System may pay interest on funds deposited to the credit of the court in various suits or actions at law pending final disposition. The reply reviewed the provisions of section 19 of the Federal Reserve Act, as amended, and stated that it appears that a member bank is forbidden by law to pay interest on deposits of the court of the kind mentioned which are payable on demand, except in accordance with a contract entered into in good faith before June 16, 1933, and existing on that date, and that such a contract must be modified by the bank as soon as possible to eliminate any provision for the payment of interest.

Approved.

Telegraphic reply on July 18, 1933, approved by four members of the Board, to a letter dated July 15 from Mr. Gardner B. Perry, Vice President of the Northwest Bancorporation, Minneapolis, Minnesota, inquiring whether the Board will accept statements of condition of subsidiary member banks as of June 30, 1933, in connection with an application

7/22/33

-78-

of the Northwest Bancorporation for a voting permit under the provisions of the Banking Act of 1933. The reply stated that the holding company affiliate may furnish a statement of financial condition of each subsidiary member bank as of June 30, 1933, provided the application is filed before September 1, 1933; that, in addition, the applicant should furnish a statement of financial condition of each other subsidiary as of the same date; that final form of the Board's regulation and form of application with regard to voting permits for holding company affiliates are in the course of preparation and copies will be forwarded direct to Mr. Perry as soon as they are ready for distribution; and that the Board will consider applications for a voting permit at any time, but, in the absence of an emergency, prefers that holding company affiliates withhold their applications until an application form is approved by the Board and applications can be filed on such forms.

Approved.

Reply on July 20, 1933, approved by seven members of the Board, to a letter dated July 18 from Mr. Huston Thompson, Washington, D. C., written on behalf of the Central National Bank and Trust Company of Battle Creek, Michigan, and inquiring whether on the basis of the circumstances outlined, and in view of the provisions of section 11(b) of the Banking Act of 1933, the national bank may recall its present 90-day withdrawal notice on savings deposits and agree to pay all time and savings depositors a uniform percentage of their deposits with the condition that the depositors shall agree to an additional 90-day withdrawal notice for the remainder of their deposits. The reply stated that, in view of the

7/22/33

-79-

emergency confronting the Central National Bank and Trust Company and in view of the fact that the proposed arrangement appears to be in substantial compliance with the purpose of the law, the Board will interpose no objection to the bank and other national banks in Battle Creek similarly situated proceeding during the present emergency in the manner outlined with respect to their savings deposits, if every reasonable precaution is taken to see that all savings deposits are treated exactly alike; that, in view of the fact that the banks involved are national banks, the reply has been submitted to the Comptroller of the Currency and he likewise offers no objection to the proposed arrangement, with the understanding stated; and that this is not intended as an official ruling reflecting the final opinion of the Board or the Comptroller as to the exact legal meaning of the provision of law referred to above and is not to be considered as a precedent. The reply also stated that the above pertains only to savings deposits; that the provision of law referred to makes a clear distinction between savings deposits and other time deposits and provides that no member bank shall pay any time deposit before its maturity; and that, if the bank has any time deposits having a definite maturity, it may not lawfully pay any portion of such deposits before their maturity.

Approved.

The Governor then presented a letter addressed to him under date of June 9, 1933, by Mr. George S. Harris of Atlanta, Georgia, stating that after July 1, 1933, his legal residence will be in Charlotte, North Carolina, and that, for that reason, he was tendering his resignation as a Class C director of the Federal Reserve Bank of Atlanta. Governor Black

7/22/33

-80-

stated that he had held the letter for a discussion of Mr. Harris' resignation with the Chairman of the Atlanta bank and that when he was in Atlanta recently he had talked with Mr. Newton about it.

The resignation was accepted, effective immediately.

Mr. James, as Chairman of the Committee on District No. 6, presented a memorandum dated July 21, 1933, recommending the appointment of Mr. James P. Allen of Atlanta, Georgia, as a Class C director of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1933, to succeed Mr. Harris.

Approved.

Governor Black then presented a telegram dated July 21, 1933, from Mr. H. M. Langworthy stating that the organization of the Union National Bank in Kansas City in connection with plans for the reorganization of the Fidelity National Bank and Trust Company has progressed sufficiently so that the opening of the new bank on July 24, 1933, seems assured; that, as explained to Governor Black on Wednesday of this week, the situation has developed in such a way that Mr. Langworthy feels a strong sense of duty to respond to the urgent request of the reorganization committee to become a director of the new bank; that this would necessarily disqualify him as a Class C director of a Federal reserve bank; and, therefore, that he is tendering his resignation as Class C director and Deputy Chairman of the Federal Reserve Bank of Kansas City. Governor Black stated that, as indicated in Mr. Langworthy's telegram, he had discussed with Mr. Langworthy the situation referred to in his telegram, and that Mr. Langworthy had stated that his efforts to assist in the reorganization of the

7/22/33

-81-

national bank had so associated him with the new institution that he feels he has no other alternative than to become a director. Governor Black added that he had stated to Mr. Langworthy that he would regret to see him resign as a Class C director but that Mr. Langworthy should feel no embarrassment in taking such action should he feel that is the desirable course to pursue.

Mr. Langworthy's resignation as a Class C director of the Federal Reserve Bank of Kansas City was accepted, effective immediately.

After a brief discussion as to the appointment of a successor to Mr. Langworthy, Mr. Thomas was appointed a provisional member, to serve with Mr. James, on the Committee on District No. 10, and there was referred to that Committee for recommendation to the Board the matter of the selection of a successor to Mr. Langworthy. It was understood that, if necessary, Mr. James would visit Kansas City in connection with the selection of a person for the position.

Reports of Standing Committee dated July 11, 12, 13, 17, 18, 20 and 21, 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. 6.</u>		
City National Bank of Baton Rouge, Baton Rouge, La.	396	396
<u>District No. 7.</u>		
National Bank of Jackson, Michigan.	210	210
<u>District No. 8.</u>		
First National Bank of Marissa, Illinois.	18	18
<u>District No. 10.</u>		
Union National Bank in Kansas City, Missouri.	1,500	1,500

7/22/33

-82-

Applications for ORIGINAL Stock: (Cont'd)District No. 11.

First National Bank in Cameron, Texas.

	<u>Shares</u>	
	36	36
Total		2,160

Applications for ADDITIONAL Stock:District No. 1.

First National Bank, Portsmouth, New Hampshire.

(Increase in capital, preferred, partly
offset by decrease in surplus)

135 135

District No. 4.

First National Bank, Warren, Pennsylvania.

(Increase in capital, preferred, partly offset by
decrease in surplus)

30 30

District No. 7.

Chemical State Savings Bank, Midland, Michigan.

(Increase in capital)

30 30

District No. 9.

First National Bank, Wakefield, Michigan. (Increase

in capital, preferred, partly offset by decrease
in surplus)

21 21

District No. 10.

Wahoo State Bank, Wahoo, Nebraska. (Increase in

surplus)

2 2

District No. 12.

The Anglo California National Bank of San Francisco,

California. (Increase in capital, preferred)

3,000	3,000
Total	3,218

Applications for SURRENDER of Stock:District No. 2.

First National Bank, Sodus, New York. (Insolvent)

60 60

District No. 4.

Citizens National Bank, Richmond, Kentucky.

(Insolvent)

90

First National Bank, Camden, Ohio. (Decrease in

surplus)

16	106
----	-----

District No. 6.

Exchange National Bank, Tampa, Florida. (Decrease

in surplus)

150

Leesburg State Bank and Trust Company, Leesburg,

Florida. (Insolvent)

90	240
----	-----

7/22/33

-83-

<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 7.</u>		
Lincoln National Bank & Trust Company, Fort Wayne, Indiana. (Decrease in surplus)	180	
Cedar Falls National Bank, Cedar Falls, Iowa. (V.L. Suc. by Cedar Falls Trust & Savings Bank, nonmember)	75	
First National Bank, Muscatine, Iowa. (V.L. Suc. by First Trust & Savings Bank, nonmember)	180	
First National Bank, New London, Wisconsin. (V.L. Abs. by Farmers State Bank under title of First State Bank, nonmember)	60	495
<u>District No. 10.</u>		
Stockyards National Bank, South Omaha, Nebraska. (Decrease in surplus)	300	300
<u>District No. 11.</u>		
First National Bank, Lott, Texas. (V.L. Suc. by First National Bank in Lott)	60	
First National Bank, Houston, Texas. (V.L. Suc. by First National Bank in Houston, Texas.)	2,160	
First National Bank, Silvertown, Texas. (Insolvent)	45	
First National Bank, Memphis, Texas. (Cons. of Hall County National Bank and First National Bank)	69	2,334
<u>District No. 12.</u>		
First Bank of Reedsport, Reedsport, Oregon. (Insolvent)	18	18
	<u>Total</u>	<u>3,553</u>

Approved.

Thereupon the meeting adjourned.

Walter Howell
Secretary.

Approved:

E. R. Shack
Governor.