

A meeting of the Federal Reserve Board was held in Washington on Tuesday, August 1, 1933, at 3:30 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Wyatt, General Counsel
Mr. Paulger, Chief, Division of Examinations.

The Board considered and acted upon the following matters:

Reply on July 29, 1933, approved by three members of the Board, to a letter dated July 27 from Mr. Hoxton, Federal Reserve Agent at Richmond, requesting approval by the Board of the appointment of Mr. Clinton W. Calhoun as an examiner in the Federal reserve agent's department with salary at the rate of \$2,200 per annum, effective August 1, 1933; and of an increase to \$2,500 per annum, effective as of August 1, 1933, in the salary of Mr. R. T. Short, a temporary examiner in the agent's department. The reply stated that the Board approves the appointment of Mr. Calhoun and the increase in the salary of Mr. Short as requested.

Approved.

Reply on July 31, 1933, approved by five members of the Board, to letters dated July 13 and 15 from Deputy Governor Attebery of the Federal Reserve Bank of St. Louis, submitting revised personnel classification plans for the head office and Little Rock branch and revised pages covering the position of acting assistant Federal reserve agent at the Louisville and Memphis branches. The reply stated that the Board approves the changes as recommended, and that in connection with the provision for the position of

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acting assistant Federal reserve agent at the branches, the personnel classification plans should first set forth the duties to be performed by the acting assistant Federal reserve agents, as such, followed by a memorandum to the effect that, when not engaged on these duties, they may be detailed by the agent to perform other duties, a general description of which should then be stated, and that in order to make it clear that the employees in question are employees of and report direct to the Federal reserve agent, it is important that the above procedure be followed.

Approved.

Replies to letters dated July 19 and 20, 1933, from Deputy Governor Helm of the Federal Reserve Bank of Kansas City, requesting approval of changes in the personnel classification plans of the head office and Omaha branch to provide for the discontinuance of the position of "Transit Claims and Relief Transit Supervision" in the failed banks-transit department, for a change in the title of "Manager" in the check collection-non-cash collections department to "Manager of Non-Cash Collections and Transit Claims Supervisor" at the head office, and for an increase from \$1901-\$2400 to \$2401-\$2900 per annum in the salary range for the position "Clerk in Charge" in the fiscal agent-Reconstruction Finance Corporation Department of the Omaha branch. The reply stated that the Board approves the changes as recommended.

Approved.

Reply on July 28, 1933, approved by five members of the Board, to a letter dated July 18 from Mr. Newton, Federal Reserve Agent at Atlanta, advising that at the meeting of the executive committee of the bank on the latter date it was voted, subject to the approval of the Federal Reserve

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Board, to authorize payment of \$1,650 to Messrs. Merrick, Schwarz, Guste, Barnett & Redmann for legal services rendered to the New Orleans branch from January 1 to July 1, 1933. The reply stated that the Board approves the payment of the fee.

Approved.

Letters dated July 31, 1933, approved by five members of the Board, to the boards of directors of the Brooks Bank & Trust Company, Torrington, Connecticut, and the Dormont Savings & Trust Company, Dormont, Pennsylvania, 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 Boston and Cleveland, 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 to the board of directors of the Poplar Grove Bank, Poplar Grove, Illinois, 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 it will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Telegraphic reply on July 29, 1933, approved by five members of the Board, to a letter dated July 20 from Mr. Newton, Federal Reserve Agent at

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San Francisco, transmitting the applications of the Buhl State Bank, Caldwell State Bank, Nampa State Bank, Rupert State Bank and the Weiser State Bank, all in Idaho, for an extension of sixty days in the time within which they may complete their membership in the Federal Reserve System pending the outcome of a plan to convert the five banks into branches of the First National Bank of Idaho, Boise, Idaho. The reply stated that inasmuch as the reports of examination upon which these applications were based were made in the early part of April and are now more than three months old, the Board is unwilling at this time to grant an extension of sixty days of the time within which the banks may complete their membership; that the Board, however, grants an extension to August 23, 1933, and that as soon as the reports of the examination of the banks, which the agent states are being made by a national bank examiner, are available, the Board, upon the agent's recommendation, will consider, on the basis of the information contained in such reports, whether a further extension of time for completion of membership should be granted to the banks.

Approved.

Telegram dated July 29, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by four members of the Board, referring to Assistant Federal Reserve Agent Young's letter of July 24 with regard to the reorganization of the Traverse City State Bank, Traverse City, Michigan, involving a possible reduction in the capital of the bank from \$200,000 to \$158,000. The telegram stated that it appears from information submitted by Mr. Young that corrections to be made will eliminate all losses, depreciation and doubtful or otherwise objectionable assets and place the bank in satisfactory

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condition with no liability for borrowed money or for repayment to depositors of the amount of deposits waived by them; that on the basis of such information and in view of the fact that the Board's consent to the proposed reduction in capital is not required by law or conditions of membership applicable to the Traverse City State Bank, the Board offers no objection to the reduction in capital to the minimum amount indicated, if this is found to be necessary, with the understanding that counsel for the Federal Reserve Bank of Chicago has considered the proposed plan and is satisfied as to its legal aspects and that such reorganization will not result in any change in the corporate existence of the bank which will affect its membership in the Federal Reserve System, and with the further understanding that the management of the institution will be acceptable to the Federal reserve agent.

Approved.

Reply on July 29, 1933, approved by four members of the Board, to a memorandum dated July 14 from the Comptroller of the Currency, recommending approval of the application of the First National Bank, Williamsport, Pennsylvania, for permission to reduce its common capital stock from \$600,000 to \$250,000 in accordance with a plan of reorganization which provides for the surrender of the present capital stock of \$600,000, the resale of \$250,000 par value of such stock at a premium of \$125,000, the sale of \$200,000 par value preferred stock, a waiver by creditors of 50% of their net unsecured claims, and the elimination of unacceptable assets and depreciation aggregating \$2,225,449.08. The reply stated that the Board approves the proposed reduction, subject to certain conditions set forth in the reply.

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Approved.

Reply on July 28, 1933, approved by five members of the Board, to a memorandum dated June 28 from the Comptroller of the Currency, recommending approval of the application of the First National Bank and Trust Company, Covington, Kentucky, for permission to reduce its capital stock from \$500,000 to \$200,000, in accordance with the terms of a proposed plan which provides for the surrender of the present outstanding capital stock in the amount of \$500,000; the resale of \$200,000 of such surrendered stock for \$375,000; the sale to the Reconstruction Finance Corporation of \$250,000 par value 6% cumulative preferred stock; the waiver by depositors of 30% of all net unsecured deposits of the bank; and the elimination of approximately \$2,163,177.15 of unacceptable assets and depreciation. The reply stated that the Board approves the proposed reduction, subject to certain conditions set forth in the reply.

Approved.

Reply on July 31, 1933, approved by five members of the Board, to a letter addressed under date of July 18 by Congressman George R. Durgan to the Comptroller of the Currency, and by him referred to the Federal Reserve Board for reply, with regard to the capital stock required of a State bank in Indiana which becomes a member of the Federal Reserve System and continues to operate an out-of-town branch. The reply referred to section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, with regard to the establishment of branches by State member banks, and to 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

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national banks, and stated that under section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, a State bank located in the State of Indiana, which has a population of more than one million inhabitants, may not become a member of the Federal Reserve System and continue to operate a branch 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, but that the law does not prevent a State bank, otherwise eligible for membership, from becoming a member of the Federal Reserve System and continuing the operation of an out-of-town branch which was lawfully established prior to February 25, 1927.

Approved.

Telegram on July 29, 1933, to Mr. Olson, Managing Director of the Denver Branch of the Federal Reserve Bank of Kansas City, requesting that he advise the President of the United States National Bank of Denver, in response to the inquiry contained in his telegram of July 27, that section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, does not forbid a member bank to pay interest on any deposit of public funds payable on demand made by or on behalf of any State, county, school district, or other subdivision or municipality, with respect to which payment of interest at the time of accrual thereof is required under State law, regardless of whether the State law in question was in effect on the date of approval of the Banking Act of 1933, or is enacted

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by the State legislature at a later date.

Approved.

Telegraphic reply on July 29, 1933, approved by five members of the Board, to telegrams addressed to the Board's General Counsel under date of July 24 and 27 by Congressman Richard M. Kleberg, with regard to the payment of certificates of deposit of the Karnes County National Bank, Karnes City, Texas. The reply stated that if notice of repayment of any such certificate has been required by the bank or given by the depositor, such certificate may not be paid legally until the expiration of the period of notice, but that, pending the issuance of regulations on this subject by the Federal Reserve Board, a certificate of the kind described in Congressman Kleberg's telegram with respect to which notice has not been required or given may be paid by the bank, together with interest thereon, in accordance with the bank's usual practice or existing bona fide contracts.

Approved.

Mr. Morrill stated that Mr. Austin, Federal Reserve Agent at Philadelphia, had called him on the telephone and had advised that representatives of the Berks County Trust Company, Reading, Pennsylvania, desired to meet with the Board informally with regard to the status of the trust company, to which reference was made at the meeting of the Board on July 28. Mr. Morrill stated that he had taken the matter up with the individual members of the Board, following which he had advised Mr. Austin that the Board would be glad to meet with the representatives of the trust company on Thursday, August 3, 1933, at eleven o'clock.

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Mr. Morrill then stated that Deputy Governor Kenzel of the Federal Reserve Bank of New York, Chairman of the Pension Committee of the Governors' Conference, and Mr. Buck, Actuary for the Committee, had met with Mr. James yesterday with regard to the retirement plan suggested in the report of the Pension Committee dated June 23, 1933, as a result of which Mr. James had concluded that it would be advisable for the Pension Committee, as recommended by it, to obtain bids from the various insurance companies, on the basis of which it would be determined whether it would be advisable to proceed in accordance with the plan suggested in the Pension Committee report. Mr. Morrill advised the members of the Board that Governor Calkins, Chairman of the Governors' Conference, had stated over the telephone that it would be agreeable to him if the Board were to address a letter to Mr. Kenzel, with a copy to Governor Calkins, authorizing the Pension Committee to proceed accordingly.

After discussion, the Board authorized the transmission of a letter to Deputy Governor Kenzel in accordance with Mr. James' suggestion.

Mr. Morrill then presented an application filed by the Mercantile Bank and Trust Company of Texas, Dallas, Texas, on behalf of the organizing Mercantile National Bank at Dallas for permission to exercise fiduciary powers. He also called attention to a memorandum prepared in the Board's Division of Examinations under date of July 28, 1933, with regard to the application, copies of which have been furnished to the members of the Board.

After discussion, the Secretary was requested to advise the Federal Reserve Agent at Dallas that, in view of all the circumstances, the

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Board is not prepared to grant the application at this time and that, after an examination of the new national bank has been made, the Board will consider the matter again upon the agent's recommendation based upon information contained in a report of such examination.

Mr. Morrill then reported that Governor McKinney of the Federal Reserve Bank of Dallas called him on the telephone on Saturday of last week and requested that he advise the Board that the Federal reserve bank had received an application for membership from a small State bank in that district; that the bank, which is in good condition, had requested that, pending its admission to membership, the Federal reserve bank permit it to establish a nonmember clearing account; that the balance which the State bank would be required to maintain in such account is between \$5,000 and \$6,000; but that the State bank desires to carry a considerably larger balance because of lack of confidence in its correspondent. Governor McKinney had advised, Mr. Morrill stated, that the Federal reserve bank had been very conservative in the past about permitting the establishment of clearing accounts by nonmember banks, and had adhered closely to its authority under the law and, while it was felt that the Federal reserve bank would be justified in granting the request in this case, and intended to do so, some doubt had arisen because of the expressed desire of the State bank to carry the larger balance. Upon discussion it was the sense of the meeting that no objection should be expressed to the proposed action of the Dallas bank.

Mr. Morrill then referred to the report of the System Committee on Branch, Group and Chain Banking and stated that Mr. J. H. Riddle, who was executive secretary of the Committee and who is now in the employ of the

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Reserve City Bankers' Association which is making an analysis of the Banking Act of 1933 and the insurance of bank deposits under that act, had advised him that the association would like very much to see the report of the System Committee published. Mr. Morrill also stated that Mr. Goldenweiser, Chairman of the Committee, feels that the report should be published, and that Mr. Riddle had intimated that if the Board did not wish to have the report printed at its own expense the Reserve City Bankers' Association would be glad to defray the expense of its publication. Mr. Morrill also called attention to the fact that the committee of the Board's staff which was appointed to review the report had not entirely completed its work because of the interruption of the banking holiday and that the report had never been passed upon by the Board. He also stated that he had been informed that the copy of the report which was furnished to Senator Glass for the information of his sub-committee of the Senate Banking and Currency Committee is being made available to anyone who desires to see the report in Senator Glass' office.

After discussion, the Secretary was requested to advise Mr. Riddle that the Board is not prepared to publish the report at this time.

It was also agreed that if and when the report is published it should be at the expense of the Board as an official Board publication and not at the expense of any other organization.

Governor Black reported that while in New York over the weekend he had discussed with Deputy Governor Burgess the proposed reorganization of the Westchester Trust Company, Yonkers, New York, and other State banks and trust companies, and had advised Mr. Burgess that, in view of the newspaper publicity which has been given to the reorganization and the proposed application of the reorganized bank for membership in the Federal

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Reserve System, the Federal Reserve Bank of New York should request the State banks and trust companies to file regular applications for membership which will be acted upon by the Federal Reserve Bank of New York and then by the Board when received.

Governor Black also reported that he saw the Secretary of the Treasury while in New York and that, upon his return, he discussed further with Under Secretary of the Treasury Acheson the question of the allotment of space in the Treasury Building to the Federal Reserve Board, and that Mr. Acheson had advised that there was no disposition to take from the Board any of the space now assigned to it in the Treasury Building. Governor Black also stated that, on this basis, negotiations had been begun for the leasing of space for the Division of Examinations in the Shoreham Building in accordance with the action taken at the meeting of the Board on July 28, 1933.

Governor Black then reported that he had another meeting this morning with Mr. Robert V. Fleming and Mr. O. Howard Wolfe, representatives of the American Bankers' Association, with regard to the adoption by banks of the blanket code issued by the National Recovery Administration. He stated that the code was reviewed carefully and was discussed later with representatives of the National Recovery Administration, and that the latter had agreed to consider the possibility of making certain changes in the code which would enable the banks to operate under the code, and to report their decision in the matter this afternoon. He also stated that advice had been received from the Federal Reserve Banks of Chicago and Atlanta that, subject to approval of the Federal Reserve Board, they had adopted the code, and that the Federal Reserve Banks of Kansas City and Dallas had advised that

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they are considering the matter but are awaiting advice of the attitude of the Federal Reserve Board with regard thereto. Governor Black stated that in view of the action of the Federal reserve banks, it will be necessary for the Board to reach a decision regarding the matter and that, if agreeable to the other members of the Board, the question will be considered at a meeting following receipt of advice of the decision reached by the National Recovery Administration with regard to possible changes in the code to be adopted by banking institutions.

Reports of Standing Committee dated July 27, 28, 29 and August 1, 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>		
Headland National Bank, Headland, Alabama.	33	33
<u>District No. 7.</u>		
Community National Bank, Pontiac, Michigan.	270	
First National Bank of Niles, Michigan.	66	336
	<u>Total</u>	<u>369</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 1.</u>		
First National Bank, Gardner, Massachusetts. (Increase in capital, preferred, partly offset by decrease in surplus)	105	105
<u>District No. 4.</u>		
National City Bank, Cleveland, Ohio. (Increase in capital, common and preferred, and surplus)	4,506	4,506
<u>District No. 5.</u>		
Farmers National Bank, Appomattox, Virginia. (Increase in capital, preferred, partly offset by decrease in surplus)	9	9
	<u>Total</u>	<u>4,620</u>

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<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
Merrimack National Bank, Haverhill, Massachusetts. (Decrease in surplus)	6	6
<u>District No. 4.</u>		
First National Bank, Sewickley, Pennsylvania. (V.L. Suc. by First National Bank in Sewickley)	120	120
<u>District No. 5.</u>		
Baltimore Commercial Bank, Baltimore, Maryland. (Decrease in capital and surplus)	360	
National Loan and Exchange Bank, Columbia, S. C. (Insolvent)	420	
Davis National Bank, Piedmont, West Virginia. (V.L.Abs. by First National Bank)	75	855
<u>District No. 6.</u>		
Britton & Koontz National Bank, Natchez, Mississippi. (Insolvent)	180	
First National Bank, Andalusia, Alabama. (V.L.Abs. by Andalusia National Bank)	120	300
<u>District No. 7.</u>		
First National Bank, Joliet, Illinois. (Being liquidated through conservator)	774	774
<u>District No. 8.</u>		
First National Bank, Dongola, Illinois. (V.L.Abs. by First State Bank, nonmember)	19	19
<u>District No. 10.</u>		
American National Bank, Alamosa, Colorado. (Decrease in surplus)	12	12
	Total	2,086

Approved.

Thereupon the meeting adjourned.

O. Peter Morill
Secretary.

Approved:

P. R. Black
Governor.