

A meeting of the Federal Reserve Board was held in Washington on Wednesday, August 2, 1933, at 2:30 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary

The Board considered and acted on the following matters:

Letter dated August 1, 1933, to Mr. Owen D. Young, Deputy Chairman of the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on July 27, 1933, and approved by six members of the Board, stating that the members of the Board have considered with care the information contained in Mr. Young's letter of July 14 to Governor Black in regard to the senior officers of the Federal Reserve Bank of New York and in this connection have also given consideration to the proposed adjustments in salaries of other officers reported in Governor Harrison's letter of July 14; that after discussing the matter at a meeting on July 27, the Board reached the conclusion that it is not favorably disposed to approve a salary at a rate in excess of \$50,000 per annum for an officer of a Federal reserve bank; that with respect to the salaries of the officers at the Federal Reserve Bank of New York which are less than \$50,000 the Board will give consideration to the recommendations of the board of directors of the New York bank at the end of this year when the schedules of salaries of all officers at Federal reserve banks are received in accordance with the customary procedure; that in this connection the Board noted with interest the appraisals set forth in Mr. Young's letter of the value of services of various individual officers; that in two cases the valuations are less than the salaries now

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being paid; that the Board was impressed by the suggestion of a reduction in these two salaries; and that if the board of directors of the New York bank will make a recommendation covering them, the Board is prepared to act.

Approved, together with a letter dated August 1, 1933, to Governor Harrison of the Federal Reserve Bank of New York, also approved by six members of the Board, advising that the letter to Mr. Young also covers the subject matter of Governor Harrison's letter of July 14, 1933, to the Board.

Letter dated August 1, 1933, approved by six members of the Board, to the board of directors of The Commercial Bank, Grand Island, Nebraska, 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 Kansas City 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.

Reply to a letter dated July 14, 1933, addressed by Mr. J. B. Lower, President of the First National Bank of Washington, Kansas, to the Comptroller of the Currency and by the latter referred to the Board for reply. The reply stated that from the information contained in Mr. Lower's letter the Board understands that he owns a majority of the outstanding stock of the First National Bank of Washington, Kansas, of the Exchange National Bank of Clyde, Kansas, and of the Citizens State Bank of Haddam, Kansas; that he and his wife own $189\frac{1}{2}$ shares out of a total of 250 shares of stock of the First National Bank of Washington and a majority of the stock of the State Bank of Narka, Kansas; that each bank in the group is operated independently of each other bank in the group; and that Mr. Lower desires to be advised whether the national banks and the two State banks, neither

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of which is a member of the Federal Reserve System, are affiliates of each other within the meaning of section 2 of the Banking Act of 1933. The reply also stated that it is the opinion of the Board that, for the reasons stated, the Exchange National Bank of Clyde, the Citizens State Bank of Haddam, and the State Bank of Narka are affiliates of the First National Bank of Washington; that the First National Bank of Washington, the Citizens State Bank of Haddam and the State Bank of Narka are affiliates of the Exchange National Bank of Clyde, but that neither national bank is an affiliate of either State bank, and neither State bank is an affiliate of the other.

Approved.

Governor Black stated that Mr. O'Connor had discussed with him further the application made on behalf of the Mercantile National Bank at Dallas for permission to exercise trust powers, which was considered at the meeting of the Federal Reserve Board yesterday; that it has been represented that the failure of the bank to obtain authority to take over the trust accounts of the old Mercantile Bank and Trust Company is endangering the plan for the conversion of the State institution into a national bank which may create a critical situation in the Dallas territory; that Deputy Governor Gilbert of the Federal Reserve Bank of Dallas had called on the telephone and advised that the stockholders who are holding a meeting today for the purpose of approving the conversion of the bank are very anxious regarding the matter and that in his opinion the condition of the bank had been improved very greatly by the reorganization and the elimination of approximately \$1,120,000 of objectionable assets and the subscription by the Reconstruction Finance Corporation for \$1,000,000 of preferred stock; and that Mr. Lynn P. Talley, former Governor of the Dallas bank, and now assistant

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to the directors of the Reconstruction Finance Corporation, who is in Dallas on his vacation, had advised that he thought something should be done to relieve the situation today. Governor Black added that, in considering the matter at the meeting yesterday, he had assumed that it would be possible for the old State institution to retain its charter and to continue to administer the trusts until such time as the new institution could obtain authority to exercise fiduciary powers, but that it now appears that with the conversion of the State institution into a national bank it will not be possible to continue the old charter so that there will be no place in which the trusts administered by the State institution can be reposed. He also stated that, in view of the situation in Dallas, he is willing to make some concession in this case and to permit the new institution to take over such trusts from the old State bank as are acceptable to the Federal reserve agent.

Mr. O'Connor stated that while the condition of the new institution will not be satisfactory, and while the question of the chartering of the new bank was the subject of considerable discussion in his office and by him with the Chairman of the Reconstruction Finance Corporation, it was felt that if the conversion were not accomplished it might result in a collapse, and that after considering all the circumstances, and in view of the conditions imposed by the Comptroller's office in connection with the granting of the charter, it was felt that the charter could be issued. He referred to the criticisms of the trust department of the old State institution contained in a report of a special examination of that department made as of June 16, 1933, by a national bank examiner, and stated that the department is in fairly satisfactory condition under the management of the present trust officer who it is proposed to continue in the new institution. He also called attention

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to the fact that the directors of the new institution have appointed five members to serve on the trust committee who are men of proven ability, and under whose direction it is believed the trust department will be properly managed. Mr. O'Connor also stated that it now would not be possible for the bank to apply for a new charter and continue the existence of the old State institution for the reason that the contemplated conversion of the old bank into a national bank has proceeded too far to change the plan.

Mr. James stated that, in view of the condition and record of the State bank, he is still unwilling to permit the bank to exercise fiduciary powers for the reason that when powers are once granted by the Federal Reserve Board they cannot be revoked, and in his opinion a bank should not be granted trust powers until it has demonstrated its ability properly to exercise such authority.

Attention was called to the fact that the old institution held stocks of other corporations in the amount of \$693,500 and that it is the general policy of the Board to require a State bank applying for membership in the Federal Reserve System under similar circumstances to eliminate the stock of any corporation which the bank would not be authorized to purchase as a member bank and the suggestion was made that the new national bank should not be permitted to acquire any of the corporate stocks held by the Mercantile Bank and Trust Company which a national bank is not authorized under the law to purchase.

After discussion, the Secretary was requested to advise the Federal Reserve Agent at Dallas that the Board grants the Mercantile National Bank at Dallas permission to exercise trust powers only in the specific trusts in which the Mercantile Bank and Trust Company had been appointed and was acting on the date of its conversion into such national bank and which are approved by the Federal Reserve Agent at Dallas

for the purpose of being taken over by the national bank, such grant by the Board to be effective only if and when the Mercantile National Bank is authorized by the Comptroller of the Currency to commence business without having acquired any stocks of any other corporation, either as charged-off assets or otherwise, which a national bank is not authorized under the law to purchase, and that action on the application for full trust powers is deferred pending receipt of a report of a new examination of the national bank; Mr. James voting "no".

The Governor then presented copies of the following amended employment agreement proposed under date of August 1, 1933, by the administrative committee of the American Bankers Association and approved by the National Recovery Administration on August 2, 1933:

"CODE OF FAIR COMPETITION
OF THE
BANKERS OF THE UNITED STATES.

"The declared purpose of this Code is to effectuate the policy of Title 1 of the National Industrial Recovery Act during the period of emergency.

DEFINITION

"The American Bankers Association affirms that it imposes no inequitable restrictions on its membership, and participation in its activities, and it is truly representative as a national association, consisting of national, state, savings, mutual and stock banks, trust companies and investment bankers.

1. LABOR PROVISIONS

"As required by Section 7(a) of Title 1 of the National Industrial Recovery Act, the following provisions are conditions of this Code:

1. Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection;
2. No employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing; and

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3. Employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment, approved or prescribed by the President.

2. CHILD LABOR

"After August 31, 1933, no person under 16 years of age shall be employed, except that persons between 14 and 16 years of age may be employed, for not to exceed 3 hours per day and those hours between 7 A. M. and 7 P. M., in such work as will not interfere with hours of day school.

3. HOURS OF EMPLOYMENT

"(A) No banking employee shall work in any bank for more than 40 hours in any one week on an average of a 5 week period (such average being necessary owing to the periodic settlements, payments or emergencies in serving the public, over all of which the bank has no control). The hours of any banking operations shall not be reduced below the hours now obtaining in each individual bank.

"(B) This provision for working hours shall not apply to guards and watchmen employed to safeguard the assets of the bank who cannot be shifted or changed during the night period.

"(C) The maximum hours fixed in the foregoing paragraphs shall not apply to employees in banking establishments employing less than two persons in towns of less than 2,500 population, which towns are not part of a larger trade area; nor to employees in a managerial or executive capacity or in any other capacity of distinction or sole responsibility who now receive more than \$35.00 per week. Population for the purposes of this agreement shall be determined by reference to the 1930 Federal Census.

4. WAGES

"No employee shall be paid:

- (A) Less than \$15.00 per week in any city of over 500,000 population, or in the immediate trade area of such city;
- (B) Less than \$14.50 per week in any city between 250,000 and 500,000 population, or in the immediate trade area of such city;
- (C) Less than \$14.00 per week in any city between 2,500 and 250,000 population or in the immediate trade area of such city, and
- (D) In towns of less than 2,500 population all wages shall be increased by not less than 20 percent, provided that this shall not require wages in excess of \$12.00 per week.

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5. ADMINISTRATION

"Such of the provisions of this Code as are not required to be included therein by the National Industrial Recovery Act may, with the approval of the President, be modified or eliminated as changes in circumstances or experience may indicate.

"This Code shall become effective when approved."

Governor Black also presented the following bulletin addressed on August 1, 1933, by the administrative committee of the American Bankers Association to the members of the association:

"Under the terms of the National Recovery Act, the President of the United States is urging every employer in the country to sign a voluntary agreement covering minimum wages and maximum hours as a part of his nationwide plan to raise wages and create employment.

"This voluntary agreement has been made to include banking, specifically.

"Your Administrative Committee believes that in view of the purpose sought to be served by the Administration, the banks of the country should cooperate to the best of their ability to secure united action in this effort to restore confidence and prosperity.

"Acting under the authority vested in your Administrative Committee, we have submitted a Basic Code to the National Recovery Administration. Under paragraph 13 of the President's Re-employment Agreement, General Johnson, the National Recovery Administrator, has approved the substitution of Section 3 of this Basic Code for Sections (2) and (4) of the President's Re-employment Agreement.

"We are enclosing with this Bulletin a copy of the Basic Code, as approved. A message to the Bankers of the United States from NRA will appear in the press setting forth the consent of NRA to the above substitution.

"Your Committee therefore recommends to all members of the Association that they take the following steps:

1. Sign and Mail the President's Re-employment Agreement which has been delivered to you through the Post Office Department.
2. Sign your Certificate of Compliance adding thereto the following clause:

'To the extent of NRA consent, as announced, we have complied with the President's Agreement by complying with the substituted provisions of the Code submitted for the Bankers of the United States.'

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This certificate of compliance is then to be taken to your Postmaster who, upon receipt thereof, will deliver to you your emblem.

"You will observe that under the terms of the Agreement, the American Bankers Association may file with the National Recovery Administration a modified Code which, upon approval by the President of the United States, will supersede this amended Agreement. Modifications, if any, of this Code will be submitted to the membership of our Association at its forthcoming Convention to be held in Chicago, September 4-7, 1933.

"After signing the President's Re-employment Agreement you should immediately place in force the provisions thereof, as amended."

Governor Black stated that he had been informed that the banks in Washington and possibly New York City will accept the amended code this afternoon, and the question was raised as to the position to be taken by the Federal Reserve Board with regard to the acceptance of the code by Federal reserve banks.

After discussion, the Secretary was requested to advise the Chairmen of all Federal reserve banks that the Board will interpose no objection to the adoption of the amended employment agreement by any Federal reserve bank.

Reports of Standing Committee dated August 2, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL STOCK:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
Norway National Bank, Norway, Maine	38	38
<u>District No. 4.</u>		
National Bank of Orrville, Ohio	36	36
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Total	74	74
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 5.</u>		
Second National Bank, Bel Air, Md. (Being liquidated through conservator)	66	66
<u>District No. 7.</u>		
First National Bank, Freeport, Ill. (Being liquidated through conservator)	360	360
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Total	426	426

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Thereupon the meeting adjourned.

O. Peter Morill
Secretary.

Approved:

E. R. Black
Governor.