

A meeting of the Federal Reserve Board was held in Washington on Thursday, August 3, 1933, at 11:15 a. 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
Mr. Wingfield, Assistant Counsel
Mr. Leonard, Federal Reserve Examiner
Mr. Chamberlin, Federal Reserve Examiner.

Messrs. J. Turner Moore, E. S. Richardson and W. A. Rigg, President, Vice President and General Counsel, and Director, respectively, of the Berks County Trust Company, Reading, Pennsylvania, were also present. Mr. Moore reviewed the considerations which led up to the merger on June 30, 1933, of the old Berks County Trust Company with the Colonial Northeastern Trust Company of Reading, a nonmember, and said that when the proposed consolidation of the banks was taken up with the Federal Reserve Bank of Philadelphia, it was stated to the officers of the Federal reserve bank that the Colonial Northeastern Trust Company would not consent to the consolidation unless it was to be understood that the new bank was to have membership in the Federal Reserve System; that the officers of the Federal Reserve Bank of Philadelphia apparently felt that the merger would considerably strengthen the member trust company, and stated that while they could not commit the Federal Reserve Board on the matter of membership for the new institution, they felt they could recommend the new institution for membership. Mr. Moore also stated that the new institution had followed the general policy determined by the Federal reserve bank, had done everything it could to

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carry out the wishes of the Federal reserve bank with regard to improvement of the trust company's condition, and would make all other improvements suggested as soon as possible; that the new trust company was licensed by the Secretary of the Treasury as a member bank after the bank holiday; that the Federal reserve bank stock held by the old trust company was indorsed back to the Federal reserve bank when the application for new stock was made, but that dividends thereon have been paid to the new institution; that since the merger, the new institution has carried at the Federal Reserve Bank of Philadelphia the reserves required of a member bank, and enjoyed the privileges of rediscounting as a member bank until last week when its right to rediscount was questioned; and that when it was suggested by the Federal reserve bank that in lieu of rediscounting as a member bank the trust company apply for loans as a nonmember, an attempt was made to secure the necessary approval from the State bank authorities of Pennsylvania, who advised that they regarded the trust company as a member of the Federal Reserve System, and declined to give such approval.

Mr. Moore also reviewed the banking situation in Reading, calling attention to the fact that of the six banks in Reading, following the merger of the two institutions forming the Berks County Trust Company, the trust company and a smaller State institution are the only banks open at the present time, and stating that if it becomes known that the trust company is not a member, confidence in the institution will be further shaken. He also stated that it is felt, because of the efforts which are now being made by the Farmers' National Bank and Trust Company and the Pennsylvania Trust Company, both of which are closed, to sell stock in order that they

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may reopen, that if the Berks County Trust Company should attempt to sell additional capital stock in order to improve its condition and comply with the requirements of the Federal reserve bank, such action would be interpreted as an attempt to defeat the efforts of the other two banks to reopen.

Governor Black stated that while the Federal Reserve Board desired to be as helpful as possible in the matter and regretted the misunderstanding which has arisen with regard to the status of the Berks County Trust Company, it must be made clear that the Board has not approved the new bank's application for membership, and that the main obstacle to a favorable consideration to such application is the unsatisfactory condition of the trust company. In this connection, Mr. Morrill referred to the Board's letter of May 4, 1933, to Mr. Austin, Federal Reserve Agent at Philadelphia, and the representatives of the Berks County Trust Company stated that, so far as they could recall, the trust company had not been advised of the attitude of the Board as set forth in that letter.

Mr. Moore stated that the purpose of this meeting with the Federal Reserve Board was to renew the request that the Board give further consideration to the trust company's application for membership, because it is felt that the successful refinancing of the institution by the sale of additional stock at the proper time depends upon the trust company being a member of the Federal Reserve System.

There followed a discussion as to the improvements which have been made by the trust company in its condition since the consolidation of the constituent banks, including changes in management, and as to the steps which might be taken by the trust company to further improve its condition and to

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meet the situation in which it finds itself as a nonmember bank.

At the conclusion of the discussion it was suggested that the representatives of the trust company discuss further with Mr. Paulger, Chief of the Division of Examinations, the condition of the institution, following which a report would be made by Mr. Paulger to the Board regarding the matter.

Thereupon, Messrs. O'Connor, Moore, Richardson, Rigg, Paulger, Leonard, Chamberlin and Wingfield left the meeting.

Mr. Hamlin stated that Mr. Frederic H. Taber, one of the directors of the Reconstruction Finance Corporation, had requested of him, for the confidential information of the Corporation, advice as to the amount of loans made by the Federal reserve banks to individuals, partnerships and corporations. Mr. Hamlin stated that, while it was not the policy of the Federal Reserve Board to give out this information, there would seem to be no objection to its being furnished to Mr. Taber for the confidential use of the Corporation, and suggested that he be authorized to furnish the information in a personal letter to Mr. Taber with the understanding that it is for the confidential use of the Corporation. The other members of the Board present expressed the opinion that there would be no objection to Mr. Hamlin furnishing the information to Mr. Taber in the manner suggested.

Governor Black stated that he had discussed further with Mr. Douglas, the Director of the Budget, the matter of Mr. Riefler, of the Board's Division of Research and Statistics, assisting in the work of assembling and analyzing statistical information for use by the President's Executive Council in carrying out the purposes of the National Industrial

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Recovery Act, and that in accordance with authority granted at the meeting on July 25 he had advised Mr. Riefler that the Board had agreed to release him temporarily from his present duties in the Division of Research and Statistics, in so far as is necessary, in order that he may render the desired services, it being understood that there would be no change in his present status on the payroll of the Federal Reserve Board, and that in the rendition of such services it would be definitely understood that he was in no way representing, or authorized to express views on behalf of, the Federal Reserve Board as to the matters covered by his services.

There was then presented a copy of an executive order signed by the President on July 27, 1933, establishing, pursuant to the authority vested in him by the National Industrial Recovery Act, a Central Statistical Board to formulate standards for, and to effect coordination of, the statistical services of the Federal Government incident to the purposes of that Act; the board to consist of representatives designated by the Secretaries of Interior, Agriculture, Commerce and Labor, by the Governor of the Federal Reserve Board, by the National Recovery Administrator, and by the Committee on Government Statistics and Information Services, and such other members as the President may designate or the Board may invite from time to time for full or limited membership. The order also stated that the Central Statistical Board shall have the power to appraise and advise upon all schedules of all government agencies engaged in the primary collection of statistics required in carrying out the purposes of the National Industrial Recovery Act, to review plans for tabulation and classification of such statistics, and to promote the coordination and improvement of the statis-

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tical services involved. The Governor designated Mr. Goldenweiser, Director of the Division of Research and Statistics, as a representative on the Central Statistical Board.

The designation of Mr. Goldenweiser was approved.

The following matters were then considered and acted upon by the Board:

Memorandum dated August 2, 1933, from Mr. Goldenweiser, Director of the Division of Research and Statistics, transmitting and recommending acceptance of the resignation of Mrs. Gladys C. Wilson, a stenographer in the Division, who is discontinuing her service with the Board in order that her husband may remain in the Department of Commerce. The memorandum also recommended that, in accordance with the usual custom, the Board grant to Mrs. Wilson a leave of absence with pay of fifteen days, making her resignation effective as of August 22, 1933.

Resignation accepted as of the close of business on August 22, 1933, in accordance with Mr. Goldenweiser's recommendation.

Letter to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, stating that in accordance with the action taken by the board of directors of the Chicago bank at its meeting on July 28, 1933, advice of which was transmitted in Mr. Stevens' letter of July 29, the Board approves a salary at the rate of \$4,800 per annum for Mr. Arthur H. Vogt as Assistant Cashier at the Detroit branch.

Approved.

Letter to Mr. Stevens, Federal Reserve Agent at Chicago, stating that the Board notes from his letter of July 28, 1933, that, at the meeting

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of the board of directors of the Federal Reserve Bank of Chicago on that date, Mr. C. R. McKay, Deputy Governor, was selected as a member of the Federal Open Market Committee representing the Seventh Federal Reserve District.

Approved.

Telegram dated August 2, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by six members of the Board, referring to the application of the Waltham Trust Company of Waltham, 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 Waltham Trust Company, the Federal Reserve Bank of Boston is authorized to cancel such stock and make a refund thereon.

Approved.

Letter to Mr. Stevens, Federal Reserve Agent at Chicago, in reply to his letter of July 14 and telegram of July 21, 1933, transmitting additional information in connection with the application of the National Boulevard Bank of Chicago for permission to exercise fiduciary powers, and requesting reconsideration of the application by the Federal Reserve Board. The reply requested certain information with regard to the management of the new national bank; referred to the assets classified as slow, doubtful, and loss which were taken into the national bank from the old Boulevard Bridge Bank, which resulted in an impairment in the bank's surplus; and stated that the Board does not feel that the subordination of \$1,100,000

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of deposits by the William Wrigley, Jr. Company, which does not reduce the aggregate liabilities of the bank but merely postpones the exercise of the rights of the subordinated depositor against the bank, accomplishes elimination of losses from the bank. The letter also stated that before a further report is submitted to the Board the agent may wish to consider this matter with the national bank examiner who made the examination of the Boulevard Bridge Bank as of March 25, 1933, and determine whether any information developed subsequent to such examination has affected, in any way, his views with regard to whether the national bank should exercise trust powers.

Approved.

Reply to a letter dated July 3, 1933, from Mr. Wood, Federal Reserve Agent at St. Louis, with regard to the question whether a new State bank with a capital of \$25,000 and situated in a place having a population not exceeding three thousand inhabitants is eligible for admission to membership in the Federal Reserve System. The reply referred to section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, and stated that, in view of the provisions of the law contained in that section, the Board is of the opinion that a State bank organized on or after June 16, 1933, which is situated in a place having a population not exceeding three thousand inhabitants and is entitled to the benefits of insurance under section 12B of the Federal Reserve Act, as amended by the Banking Act of 1933, is eligible for admission to membership in the Federal Reserve System, if, at the time of admission, it has a capital of not less than \$25,000.

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Reply to letter dated July 26, 1933, from Mr. Geo. L. Browning, Los Angeles, California, protesting against the granting of a permit, and requesting a hearing before the Board before any permit is granted, to the Seaboard National Securities Corporation to vote the stock of the Seaboard National Bank of Los Angeles, California, which it owns or controls. The reply stated that the Board understands from Mr. Browning's letter that the national bank is a subsidiary of the securities corporation and that he is the largest minority stockholder in the national bank; that the Board has not received an application from the Seaboard National Securities Corporation for a voting permit; and that, if and when such an application is filed, it will be agreeable to the Board to receive and consider any statements which Mr. Browning may desire to make with reference to the desirability of granting a permit to the securities corporation.

Approved.

Report of Standing Committee dated August 2, 1933, recommending approval of the following change in stock at a Federal reserve bank:

<u>Application for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 8.</u>		
Midland Savings Bank, St. Louis County, Missouri.	26	26
(Insolvent)		

Approved.

Thereupon the meeting adjourned.

Approved:

G. A. Black

Governor.

Ester Maxwell
Secretary.