

A meeting of the Federal Reserve Board was held in Washington on Friday, August 4, 1933, at 4:15 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. Vest, Assistant Counsel
 Mr. Boatwright, Assistant Counsel

The Board considered and acted upon the following matters:

Telegram dated August 4, 1933, from Mr. Williams, Chairman of the Federal Reserve Bank of Cleveland, advising that, subject to the approval of the Federal Reserve Board, the board of directors of the bank, at its meeting today, established a rate of 4 1/2% per annum on advances to member banks under section 10(b) of the Federal Reserve Act, as amended, and on advances to nonmember banks under section 404 of the Act of March 9, 1933, as amended, effective August 5, 1933.

The rate of 4 1/2% per annum established by the directors of the Cleveland bank was approved.

Letter dated August 3, 1933, from Mr. Roelse, Assistant Secretary of the Federal Reserve Bank of New York, and telegram dated August 3, 1933, from the Chairman of the Federal Reserve Bank of San Francisco, both advising that, at meetings of the boards of directors on the date stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply on August 3, 1933, approved by six members of the Board, to a letter dated August 1 from Assistant Federal Reserve Agent Fry at Richmond, requesting approval by the Board of the appointment of Mr.

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Urbane Howard Mills as an assistant examiner in the Federal reserve agent's department of the bank with salary at the rate of \$1,800 per annum. The reply stated that the Board approves the appointment as requested.

Approved.

Telegram to Mr. Stevens, Chairman of the Federal Reserve Agents' Conference, advising that the suggestion has been made that a conference of auditors of Federal reserve banks and representatives of the Federal Reserve Board be held in Chicago at the time of the national conference of bank auditors and the American Bankers' Association Convention; that if, after consultation with the chairmen of other Federal reserve banks, it is felt desirable, the Board has no objection to Mr. Stevens calling such a conference and wishes to be advised as soon as possible as to the action taken as it is believed desirable that one or two members of the Board's staff arrange to be present.

Approved.

Letter dated August 3, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by six members of the Board, stating that the Board has given careful consideration to Mr. Dillistin's letter of July 14 with further reference to the proposed plan of reorganization of the Westchester Trust Company of Yonkers, New York; that it is noted that Mr. Dillistin feels that arrangements can be made for the distribution of the capital stock of the new bank to private individual owners and that any desirable changes in the management of the trust company can be effected; that Mr. Dillistin's letter does not show that there will be any substantial improvement in the proposed financial condition of the new bank which had previously been given consideration by the Board; that, in view of the circumstances, the Board does not feel that it could properly approve an application from the new bank for

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membership unless a substantial improvement is made in its proposed financial condition; and that the Board is in sympathy with the desire of the persons interested in the Westchester Trust Company to reorganize its affairs and will be glad to give consideration to an application for membership based upon a sound plan of reorganization of the trust company which will give substantial assurance of its successful operation as a going institution. The letter also stated that, as a result of correspondence between the State Department of Banking of New York and the Federal Reserve Board and certain newspaper publicity with regard to requirements with respect to admission of State banks to the Federal Reserve System, in both of which reference had been made to the Westchester Trust Company, there is developing a situation which has the potentialities of undesirable controversy and resulting misunderstanding; and that, in the circumstances, the Board suggests that, for the time being, the practice be adopted with respect to all State banks in New York which desire to become members of the System that they be requested to file their formal applications in the regular way, that such action by way of examination or otherwise as may be necessary be taken immediately to determine the merits of such applications, and that as soon as practicable the agent submit to the Board his definite recommendations, with those of the board of directors of the Federal reserve bank, as to whether the applications should be rejected, with the reasons therefor, or should be approved and, if approved, on what conditions, so that the Board may act thereon and settle the questions which have been raised.

Approved.

Letter dated August 3, 1933, to Mr. Newton, Federal Reserve Agent at Atlanta, approved by six members of the Board, referring to the application

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of the First National Bank of Jefferson Parish at Gretna, Louisiana, for permission to exercise fiduciary powers and stating that, in accordance with the recommendation of the executive committee of the Federal Reserve Bank of Atlanta, the Board will take no action upon the application at this time, but will hold it in abeyance until an examination of the applicant bank has been made by a national bank examiner.

Approved.

Letter dated August 3, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by six members of the Board, referring to the analysis of the report of examination as of March 28, 1933, of the Mutual Trust Company of Westchester County, Port Chester, New York, and requesting additional information with regard to certain matters referred to in the report.

Approved.

Reply on August 3, 1933, approved by six members of the Board, to letters addressed by Mr. B. A. Kausal, Chicago, Illinois, under date of May 27 to the President of the United States and June 26 to Assistant Secretary of the Treasury Hewes and referred to the Federal Reserve Board for reply, with regard to a proposed plan to bring about the payment of delinquent taxes on real estate in Chicago and elsewhere and to furnish a basis for currency expansion, and inquiring whether notes issued in accordance with the plan could be rediscounted by Federal reserve banks and whether they could be used as a basis for the issuance of currency. The reply stated that, for the reasons contained therein, the Board considers that the proposed plan would be a very material departure from the fundamental purposes of the Federal Reserve Act, and that for the Federal

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reserve banks to take any substantial amount of paper of the kinds described might, when added to their already heavy burdens, seriously impair their ability to perform the functions for which they were created.

Approved.

Reply on August 3, 1933, approved by six members of the Board, to a letter dated June 27 from Senator James F. Byrnes, inclosing a letter from Mr. G. A. Middleton of the firm of Middleton & Company of Charleston, South Carolina, with reference to the use of warehouse receipts issued by a compress and warehouse company, the stock of which is owned by Middleton & Company, as a basis for obtaining credit from banks. The reply stated that apparently it is desired to use such warehouse receipts as security for loans which would be eligible for discount at Federal reserve banks; that the question whether a note is eligible for discount by a Federal reserve bank does not depend upon the nature or existence of collateral securing such note but, under the law and regulations of the Board, upon the question whether it is issued or drawn or the proceeds are used in the first instance in producing, purchasing, carrying or marketing goods and whether it complies with certain other requirements as to eligibility for discount; that the acceptability of such a note from a credit standpoint, however, may depend largely upon the collateral securing it and that the question whether or not particular notes are eligible for discount and whether the collateral securing them is satisfactory is one which must be determined by the Federal reserve bank as and when such notes may be offered to it for rediscount. The reply also referred to the requirement of the Federal Reserve Bank of Richmond that warehouse receipts securing loans discounted for member banks should be issued by a party independent

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of the customer; called attention to the fact that this requirement is the same as that contained in the Board's regulation; and stated that the requirement is prescribed in order that the holders of warehouse receipts may obtain an effective lien on the goods against which the receipts are issued. The reply stated further that, in view of the statement contained in Mr. Middleton's letter that the firm of Middleton & Company owns the stock of the compress and warehouse company, the question naturally arises whether the warehouse company can be said to be independent of Middleton & Company, the borrowing firm, and that if the latter firm exercises full control over the warehouse company it seems doubtful whether the latter could be considered independent of the borrower and whether receipts issued by it should be considered satisfactory and adequate collateral for notes of the firm.

Approved.

Telegraphic reply on August 3, 1933, approved by six members of the Board, to telegrams dated July 13 and 20 from Mr. McClure, Federal Reserve Agent at Kansas City, with regard to the publication of reports of affiliates of State member banks. The reply stated that in view of the requirement of section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, that reports of affiliates of State member banks be published by the bank under the same conditions as govern its own condition reports in view of the fact that the Federal Reserve Act does not require the publication of reports of State member banks rendered pursuant to call of the Federal Reserve Board and in view of the requirement of the Kansas statute that reports of condition of State banks made pursuant to a call of the State authorities be published within ten days after they are made, it is the opinion of the Board that reports of affiliates of a State

member bank in Kansas made pursuant to the Board's call of June 30, 1933, should be published in the same paper and on the same date as a condition report of such bank made pursuant to next succeeding call of State authorities after June 30. The reply also stated that the Board desires that an effort be made to arrange with the State authorities to issue calls in the future as of the same dates as the Board's calls.

Approved, together with a letter dated August 3, 1933, also approved by six members of the Board, to Mr. Dillistin, Assistant Federal Reserve Agent at New York, in reply to a similar inquiry contained in his letter of July 11, 1933, with regard to the publication of reports of affiliates of State member banks in New York.

There was then presented a draft of a regulation with regard to the payment of interest on time deposits, to be promulgated by the Federal Reserve Board pursuant to section 19 of the Federal Reserve Act, as amended, by section 11(b) of the Banking Act of 1933.

After discussion, the Secretary was requested to send copies of the regulation to all Federal reserve banks, advising them that the regulation has been approved tentatively, and requesting that they submit to the Board any suggestions which they may have to make with regard to changes in the regulation not later than August 14, 1933.

There was then presented for the Board's consideration a final draft of a regulation on voting permits for holding company affiliates, to be promulgated by the Board pursuant to the provisions of the Federal Reserve Act, as amended by the Banking Act of 1933.

After discussion, during which it was pointed out that a tentative draft of this regulation had been sent to all Federal reserve banks for their recommendations and that only two banks had offered suggestions of material changes, the regulation was approved in the following form, and the Secretary was requested to send copies of the regulation to all Federal reserve banks with advice that it has

been adopted by the Board and is to be published in the August Federal Reserve Bulletin and also printed in separate pamphlet form:

"REGULATION P, SERIES OF 1933

HOLDING COMPANY AFFILIATES - VOTING PERMITS

Section I. - Statutory Provisions.

"Section 2 of the Banking Act of 1933 provides, in part, as follows:

"(c) The term 'holding company affiliate' shall include any corporation, business trust, association, or other similar organization -

"(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election, or controls in any manner the election of a majority of the directors of any one bank; or

"(2) For the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees.

"Section 9 of the Federal Reserve Act, as amended by section 5(c) of the Banking Act of 1933, reads, in part, as follows:

"Each State member bank affiliated with a holding company affiliate shall obtain from such holding company affiliate, within such time as the Federal Reserve Board shall prescribe, an agreement that such holding company affiliate shall be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding company affiliates of national banks. A copy of each such agreement shall be filed with the Federal Reserve Board. Upon the failure of a State member bank affiliated with a holding company affiliate to obtain such an agreement within the time so prescribed, the Federal Reserve Board shall require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section. Whenever the Federal Reserve Board shall have revoked the voting permit of any such holding company affiliate, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such holding company affiliate to surrender their stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section.

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"Section 5144 of the Revised Statutes of the United States, as amended by section 19 of the Banking Act of 1933, reads as follows:

"Sec. 5144. In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit; and in deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him; except (1) that shares of its own stock held by a national bank as sole trustee shall not be voted, and shares of its own stock held by a national bank and one or more persons as trustees may be voted by such other person or persons, as trustees, in the same manner as if he or they were the sole trustee, and (2) shares controlled by any holding company affiliate of a national bank shall not be voted unless such holding company affiliate shall have first obtained a voting permit as hereinafter provided, which permit is in force at the time such shares are voted. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such bank shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote.

"For the purposes of this section shares shall be deemed to be controlled by a holding company affiliate if they are owned or controlled directly or indirectly by such holding company affiliate, or held by any trustee for the benefit of the shareholders or members thereof.

"Any such holding company affiliate may make application to the Federal Reserve Board for a voting permit entitling it to cast one vote at all elections of directors and in deciding all questions at meetings of shareholders of such bank on each share of stock controlled by it or authorizing the trustee or trustees holding the stock for its benefit or for the benefit of its shareholders so to vote the same. The Federal Reserve Board may, in its discretion, grant or withhold such permit as the public interest may require. In acting upon such application, the Board shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of such bank, but no such permit shall be granted except upon the following conditions:

"(a) Every such holding company affiliate shall, in making the application for such permit, agree (1) to receive, on dates identical with those fixed for the examination of banks with which it is affiliated, examiners duly authorized to examine such banks, who shall make such examinations of such holding company affiliates as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks, such examinations to be at the expense of the holding company affiliate so examined; (2) that the reports of such examiners shall contain such information as shall be necessary to

"disclose fully the relations between such affiliate and such banks and the effect of such relations upon the affairs of such banks; (3) that such examiners may examine each bank owned or controlled by the holding company affiliate, both individually and in conjunction with other banks owned or controlled by such holding company affiliate; and (4) that publication of individual or consolidated statements of condition of such banks may be required;

"(b) After five years after the enactment of the Banking Act of 1933, every such holding company affiliate (1) shall possess, and shall continue to possess during the life of such permit, free and clear of any lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 per centum of the aggregate par value of all bank stocks controlled by such holding company affiliate, which amount shall be increased by not less than 2 per centum per annum of such aggregate par value until such assets shall amount to 25 per centum of the aggregate par value of such bank stocks; and (2) shall reinvest in readily marketable assets other than bank stock all net earnings over and above 6 per centum per annum on the book value of its own shares outstanding until such assets shall amount to such 25 per centum of the aggregate par value of all bank stocks controlled by it;

"(c) Notwithstanding the foregoing provisions of this section, after five years after the enactment of the Banking Act of 1933, (1) any such holding company affiliate the shareholders or members of which shall be individually and severally liable in proportion to the number of shares of such holding company affiliate held by them respectively, in addition to amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, shall be required only to establish and maintain out of net earnings over and above 6 per centum per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount of not less than 12 per centum of the aggregate par value of bank stocks controlled by it, and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for replacement of capital in banks affiliated with it and for losses incurred in such banks, but any deficiency in such assets resulting from such use shall be made up within such period as the Federal Reserve Board may by regulation prescribe;

"(d) Every officer, director, agent, and employee of every such holding company affiliate shall be subject to the same penalties for false entries in any book, report, or statement of such holding company affiliate as are applicable to officers, directors, agents, and employees of member banks under section 5209 of the Revised Statutes, as amended (U.S.C., title 12, sec. 592); and

"(e) Every such holding company affiliate shall, in its application for such voting permit, (1) show that it does not own, control,

"or have any interest in, and is not participating in the management or direction of, any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation, of stocks, bonds, debentures, notes, or other securities of any sort (hereinafter referred to as 'securities company'); (2) agree that during the period that the permit remains in force it will not acquire any ownership, control, or interest in any such securities company or participate in the management or direction thereof; (3) agree that if, at the time of filing the application for such permit, it owns, controls, or has an interest in, or is participating in the management or direction of, any such securities company, it will, within five years after the filing of such application, divest itself of its ownership, control, and interest in such securities company and will cease participating in the management or direction thereof, and will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in any such securities company or participate in the management or direction thereof; and (4) agree that thenceforth it will declare dividends only out of actual net earnings.

"If at any time it shall appear to the Federal Reserve Board that any holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant to this section, the Federal Reserve Board may, in its discretion, revoke any such voting permit after giving sixty days' notice by registered mail of its intention to the holding company affiliate and affording it an opportunity to be heard. Whenever the Federal Reserve Board shall have revoked any such voting permit, no national bank whose stock is controlled by the holding company affiliate whose permit is so revoked shall receive deposits of public moneys of the United States, nor shall any such national bank pay any further dividend to such holding company affiliate upon any shares of such bank controlled by such holding company affiliate.

"Whenever the Federal Reserve Board shall have revoked any voting permit as hereinbefore provided, the rights, privileges, and franchises of any or all national banks the stock of which is controlled by such holding company affiliate shall, in the discretion of the Federal Reserve Board, be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended.

Section II. - Definitions.

"(a) Holding Company Affiliate. - The term 'holding company affiliate' includes any corporation, business trust, association, or other similar organization -

"(1) which owns or controls, directly or indirectly, a majority of the shares of capital stock of a member bank; or

- "(2) which owns or controls, directly or indirectly, more than 50 per centum of the number of shares voted for the election of directors of any member bank at the preceding election; or
- "(3) which controls in any manner the election of a majority of the directors of any member bank; or
- "(4) for the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees.

"(b) Member Bank. - The term 'member bank', unless otherwise qualified, means any national bank, or any State bank, savings bank, trust company, Morris Plan bank, mutual savings bank or other banking institution which is a member of the Federal Reserve System.

"(c) Nonmember Bank. - The term 'nonmember bank' includes any banking institution which is not a member of the Federal Reserve System.

"(d) Shares Controlled. - Shares shall be deemed to be controlled by a holding company affiliate if they are owned or controlled directly or indirectly by such holding company affiliate, or if they are held by any trustee for the benefit of the shareholders or members of such holding company affiliate.

"(e) Subsidiary. - The term 'subsidiary' includes any national bank or any State bank, savings bank, trust company, Morris Plan bank, mutual savings bank, private bank, mortgage loan company, title company, safe deposit company, insurance company, or any other organization of any kind whatsoever engaged in any kind of business whatsoever -

"(1) Of which any corporation, business trust, association, or other similar organization owns or controls, directly or indirectly, a majority of the shares of capital stock; or

"(2) Of which any corporation, business trust, association, or other similar organization owns or controls, directly or indirectly, more than 50 per centum of the number of shares voted for the election of the directors, trustees, or other persons exercising similar functions at the preceding election; or

"(3) Of which any corporation, business trust, association, or other similar organization controls in any manner the election of a majority of the directors, trustees, or other persons exercising similar functions; or

"(4) Of which all or substantially all the capital stock is held by trustees for the benefit of the shareholders or members of any corporation, business trust, association, or other similar organization.

"(f) Subsidiary Member Bank. - The term 'subsidiary member bank' includes any member bank which is affiliated with a holding company affiliate in any manner set forth in subdivision (e) of this section.

"(g) Subsidiary Non-Member Bank. - The term 'subsidiary non-member bank' includes any banking institution, other than a member bank, which is affiliated with any corporation, business trust, association, or other similar organization in any manner set forth in subdivision (e) of this section.

"(h) Affiliate. - The term 'affiliate' includes any corporation, business trust, association, or other similar organization -

"(1) Of which a member bank, directly or indirectly, owns or controls a majority of the voting shares; or

"(2) Of which a member bank, directly or indirectly, owns or controls more than 50 per centum of the number of shares voted for the election of any such organization's directors, trustees, or other persons exercising similar functions at the preceding election; or

"(3) Of which a member bank controls in any manner the election of a majority of any such organization's directors, trustees, or other persons exercising similar functions; or

"(4) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a member bank who own or control a majority of the shares of such bank; or

"(5) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a member bank who own or control more than 50 per centum of the number of shares voted for the election of directors of such bank at the preceding election; or

"(6) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by trustees for the benefit of the shareholders of any member bank; or

"(7) Of which a majority of its directors, trustees, or other persons exercising similar functions are directors of any one member bank.

"(i) When Deemed Affiliated. - A corporation, business trust, association, partnership or other organization of any kind whatsoever, shall be deemed to be affiliated with another such organization if it is affiliated with such other organization in any manner set forth in subdivision (e) or subdivision (h) of this section.

"(j) Securities Company. - The term 'securities company' means any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation, of stocks, bonds, debentures, notes, or other securities of any sort.

"(k) Board. - The term 'Board' means the Federal Reserve Board.

Section III. - Requirements in respect to State member bank's obtaining and filing with Board agreement by holding company affiliate, and effect of failure to obtain such agreement.

"On or before October 1, 1933, each State member bank which is a subsidiary of a holding company affiliate shall obtain from such holding company affiliate an agreement, on F.R.B. Form P-5, which is hereby made a part of this regulation, that such holding company affiliate will be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding company affiliates of national banks. Every State member bank which hereafter becomes a subsidiary of any holding company affiliate shall obtain from such holding company affiliate a like agreement within ninety days after such member bank shall have become a subsidiary thereof.

"Upon the failure of a State member bank which is now or becomes hereafter a subsidiary of a holding company affiliate to obtain the requisite agreement within the time prescribed, the Board will require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System.

"Any State banking institution applying for membership in the Federal Reserve System which is a subsidiary of any corporation, business trust, association, or other similar organization, will be required to obtain an agreement from each such organization with which it is so affiliated on F.R.B. Form P-6, which is hereby made a part of this regulation, and the application of such organization for a voting permit must be approved by the Board before such banking institution will be admitted to membership.

"The original and one copy of each such agreement must be filed promptly with the Federal Reserve Agent of the district in which the applicant's principal office is located, and the original of such agreement shall be sent by such Federal Reserve Agent to the Board.

Section IV. - Necessity for Obtaining Voting Permits.

"No holding company affiliate of a national bank, and no holding company affiliate of a State member bank which has executed an agreement such as that required by section III of this regulation, may lawfully vote any share of stock in any such bank with which it is so affiliated unless such holding company affiliate shall have first obtained a voting permit which is in force at the time such shares are voted, and before voting any such stock, each such holding company affiliate must obtain a voting permit pursuant to the provisions of section 5144, Revised Statutes, as amended, and of this regulation.

"No State banking institution applying for membership in the Federal Reserve System which is a subsidiary of any corporation, business trust,

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"association, or other similar organization, will be admitted to membership in the Federal Reserve System until the application for a voting permit of each organization of which such banking institution is a subsidiary has been approved by the Board.

Section V. - Application for Voting Permit.

"Any holding company affiliate of a member bank, and any organization affiliated in any manner described in subdivision (a) of section II of this regulation with a nonmember bank applying for membership in the Federal Reserve System, may make application for a voting permit entitling it to cast one vote on each share of stock controlled by it at all elections of directors and in deciding all questions at meetings of shareholders of each of its subsidiary member banks. In the event that the stock is held by a trustee, or trustees, for the benefit of a holding company affiliate or of its shareholders or members, the permit may authorize such trustee or trustees so to vote the same, except that no such permit to vote shares of stock of a national banking association held by it as sole trustee will be granted.

"Each application must be submitted on F.R.B. Form P-1, which is made a part of this regulation. It is necessary for an applicant hereunder to file only one application, notwithstanding that such applicant may own or control more than one subsidiary member bank. However, a separate agreement on F.R.B. Form P-3 to permit examinations and furnish reports of condition must be filed by each organization (other than a member bank) with which the applicant or any of its subsidiaries is affiliated (including a similar and separate agreement by each of applicant's subsidiary nonmember banks, notwithstanding that any or all of such subsidiary nonmember banks may also be applying for membership in the System).

"In preparing the application, all forms (except signatures of persons executing same) should be filled out by typewriter. The original and two executed counterparts of the application must be sent to the Federal reserve agent of the district in which the applicant's principal office is located, and if any subsidiary member bank or subsidiary nonmember bank applying for membership is situated in any district other than that in which the applicant's principal office is located, a copy of the application must be filed with the Federal reserve agent of each such other district.

"The Federal reserve agent of the district in which the applicant's principal office is located will forward the original and one executed counterpart of such application to the Board with his recommendation and that of the Executive Committee of the Federal reserve bank of such district. The Federal reserve agent of any other district in which a subsidiary member bank or a subsidiary nonmember bank applying for membership is located will forward to the Board his recommendation and that of the Executive Committee of the Federal reserve bank in his district.

Section VI. - Information and Documents to be Filed with Application.

"The statute vests in the Board discretionary authority to grant or withhold any voting permit applied for as the public interest may require.

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"In acting upon each application for a voting permit, the Board is required to consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of each subsidiary member bank. In order that the Board may give adequate consideration to these subjects, each applicant for a voting permit must furnish with its application the following information and documents:

- "(1) Names and addresses of all subsidiary member banks.
- "(2) Certified copy of charter or articles of association and by-laws of applicant, with all amendments to date.
- "(3) Statement of financial condition of applicant, as of date of application, including detailed list of investments.
- "(4) Copy of report of last audit of applicant by an independent auditor or auditors, if any.
- "(5) Detailed statement in regard to management and personnel of applicant, including list of directors and principal officers and stockholders, and their principal business interests.
- "(6) List of all of applicant's subsidiaries and all other corporations, business trusts, associations, or other similar organizations with which applicant or any of its subsidiaries is affiliated, with description of their functions, and detailed statement of relations of applicant with each such organization.
- "(7) Statement of financial condition of each subsidiary member bank, as of a date not in excess of sixty days prior to date of application.
- "(8) Copy of report of last examination, if any, by State authorities of each of applicant's subsidiaries and of each other corporation, business trust, association, or other similar organization with which applicant or any of its subsidiaries is affiliated (other than a member bank).
- "(9) Copy of report of last examination, if any, by applicant of each of its subsidiaries and of each other corporation, business trust, association, or other similar organization with which applicant or any of its subsidiaries is affiliated.
- "(10) Detailed statement of any plan of reorganization involving any subsidiary or any other corporation, business trust, association, or other similar organization with which applicant or any of its subsidiaries is affiliated, effected since last examination of any such organization, and of any such reorganization proposed or pending.

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- "(11) Agreements by subsidiary nonmember banks and affiliated organizations (other than member banks), to submit to examination and furnish reports of condition. (F.R.B. Form P-3).
- "(12) Statement as to whether any certificate representing stock of applicant represents stock of any other corporation, and whether ownership, sale, or transfer of any certificate representing the stock of applicant is conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation. If so, information as to manner in which the ownership, sale or transfer of a certificate representing stock in applicant affects the ownership, sale, or transfer of a certificate representing stock in such other corporation.
- "(13) Statement as to whether applicant owns, controls, or has any interest in, and whether it is participating in the management or direction of, any securities company.

Section VII. - Requirements Regarding Exhibits D, G, and H.

"(a) Statement of Financial Condition of Applicant. -

"There must be attached to each application for a voting permit, as Exhibit D, a statement of the financial condition of the applicant as of the date of the application. This statement must be taken from the books of the applicant, must show each control account separately, and must give detailed information in respect to the following:

- "(1) Loans, extensions of credit, and advances in any form (including repurchase agreements and securities loaned) by each subsidiary bank to applicant, the amounts, forms, and maturity dates thereof, the interest rates thereon, and the collateral pledged therefor.
- "(2) Investments of applicant in capital stock of each subsidiary bank and each other organization with which applicant or any of its subsidiaries is affiliated, the number of shares of stock of each such affiliated organization authorized and outstanding, the par and book value thereof, and the number of shares pledged, if any.
- "(3) Other Investments.
- "(i) Bonds - Names of obligors, par value, book value, interest rate, maturity, and bonds pledged, if any.

"(ii) Stocks - Number of shares, par value, book value, class of stock, and stocks pledged, if any.

"(4) Capital stock of applicant, classes of such stock, number of shares authorized and outstanding in each class, the par value thereof, and any options or stock purchase warrants outstanding.

"(5) Accounts due to and from each subsidiary and each affiliate of applicant or of any of its subsidiaries.

"(6) Detailed list of any and all contingent liabilities of applicant.

"(b) Statement of Relationship of Applicant to Subsidiaries and Affiliated Organizations. -

"There must also be attached to each application for a voting permit, as Exhibit G, a list of all of the applicant's subsidiaries and all other organizations with which the applicant or any of its subsidiaries is affiliated, with a description of their functions, and a detailed statement of the relationship of the applicant to its subsidiaries and to any and all other organizations with which the applicant or any of its subsidiaries is affiliated. Among other things, this statement must set forth:

"(1) The total number of shares of capital stock of each subsidiary and each other affiliated organization authorized and outstanding;

"(2) The number of shares owned or controlled by applicant, or held by any trustee for the benefit of the shareholders or members thereof;

"(3) The form of control, whether sole or joint;

"(4) The manner in which, and object for which, control was established and is maintained;

"(5) The extent of control;

"(6) Whether control is direct or indirect; and

"(7) The names of the intermediaries through which control, if indirect, was established and is maintained.

"If control is held through any trustee, there should be attached to Exhibit G a copy of the agreement creating the trust and a copy of each other instrument directly affecting the trust; and the exhibit must set forth, in addition to the information required above:

"(1) The name of such trustee or trustees;

"(2) The names of the beneficiaries for whom the trust is maintained; and

"(3) The purpose of the trust.

"(c) Statement of Financial Condition of Each Subsidiary Member Bank. -

"There must be attached to the application, as Exhibit H, a statement of the financial condition of each subsidiary member bank as of a date not in excess of sixty days prior to the date of application. Such statement must be taken from the books of the bank, and must be supplemented by full and complete information in respect to:

"(1) Funds of each subsidiary member bank invested in capital stock, bonds, debentures or other such obligations of applicant, or of any subsidiary of applicant, or of any other organization with which applicant or any of its subsidiaries is affiliated.

"(2) Loans, advances, or extensions of credit made to any person, partnership, association, business trust, corporation, or other organization against the capital stock, bonds, debentures, or other obligations of applicant, or of any subsidiary of applicant, or of any other organization with which applicant or any of the subsidiaries is affiliated.

"(3) Balances 'due to' and 'due from' each subsidiary of applicant and each other organization with which applicant or any of its subsidiaries is affiliated.

"If a subsidiary member bank of the applicant is exercising fiduciary powers, a supplementary statement must be attached to Exhibit H, which statement must set forth the amount of capital stock, bonds, debentures or other obligations of, or guaranteed by, the applicant or any subsidiary or other organization with which the applicant or any of its subsidiaries is affiliated, which have been purchased for account of any of the trusts held in the trust department of such subsidiary member bank. This supplementary statement must set forth the name of the trust, the amount of the corpus thereof, and the amount invested in such capital stock or other obligations.

Section VIII. - Conditions With Respect to Issuance of Permit.

"No voting permit will be granted unless the applicant agrees, among other things:

"(1) To permit at its expense such examinations of its affairs by examiners duly authorized to examine banks with which it is affiliated as may be necessary to disclose fully the relations between applicant and such banks, and any other subsidiaries and other organizations with which applicant or any of its subsidiaries is affiliated, and the effect of such relations upon the affairs of such banks and other organizations.

- "(2) That the reports of such examiners may contain such information as may be necessary to disclose fully the relations between applicant and the banks with which it is affiliated, and any other subsidiaries and other organizations with which applicant or any of its subsidiaries is affiliated, and the effect of such relations upon the affairs of such banks and other organizations.
- "(3) That such examiners may examine each banking institution or other organization owned or controlled by applicant either individually or in conjunction with other banks or other organizations owned or controlled by applicant.
- "(4) That publication of individual or consolidated statements of the condition of the subsidiaries of applicant and other organizations with which applicant or any of its subsidiaries is affiliated may be required by the Board.
- "(5) That during the period that any permit granted to applicant remains in force it will not acquire any ownership, control, or interest in any securities company, and will not participate in the management or direction of any such company other than one in the management or direction of which applicant is participating at the time of the filing of the application, and will not engage principally in the business of a securities company in any manner or by any device whatsoever.
- "(6) That thenceforth it will declare dividends only out of actual net earnings.
- "(7) That it will maintain the required reserves of readily marketable assets, as set forth in Section IX hereof.
- "(8) That it will furnish such information to the Board as it may require.
- "(9) That copies of reports of examinations by constituted authorities, and any other information they may have relating to applicant or its subsidiaries or the other organizations with which applicant or any of its subsidiaries is affiliated, may be furnished to the Federal Reserve Board, the Federal Reserve Agent, the Comptroller of the Currency, or other duly constituted authority, upon request therefor.
- "(10) That any permit for which application is made may be granted for a temporary period in the discretion of the Board.
- "(11) That, if so requested by the Board, applicant will require any subsidiary nonmember bank to apply for membership in the Federal Reserve System, or will surrender any voting permit granted hereunder upon failure of any such bank to make such application and become a member of the Federal Reserve System, or will divest itself of its ownership or control of such bank.

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"In the event that the applicant, at the time of filing the application for such permit, owns, controls, or has an interest in, or is participating in the management or direction of, any securities company, it must agree that, within five years after the filing of such application, (i) it will divest itself of its ownership, control, and interest in such securities company, (ii) will cease participating in the management or direction thereof, and (iii) will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in any such securities company or participate in the management or direction thereof.¹

Section IX. Reserve Requirements.

"(a) Holding company affiliate whose shareholders are not personally liable.

"Beginning June 16, 1938, every holding company affiliate, the shareholders or members of which are not individually and severally liable in proportion to the number of shares of such holding company affiliate held by them respectively, in addition to the amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, must, during the life of any voting permit granted by the Board to such holding company affiliate:

"(1) Own, and continue to own, free and clear of any lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 per centum of the aggregate par value of all bank stocks controlled by such holding company affiliate; and

"(2) Increase such amount by not less than 2 per centum per annum of such aggregate par value until such assets amount to 25 per centum of the aggregate par value of such bank stocks; and

"(3) Reinvest in readily marketable assets other than bank stock all net earnings over and above 6 per centum per annum on the book value of its own shares outstanding until such assets shall amount to such 25 per centum of the aggregate par value of all bank stocks controlled by it.

¹Section 20 of the Banking Act of 1933 provides that, after June 15, 1934, no member bank may be affiliated in any manner described in subdivision (h) of section II of this regulation with any securities company, and for every violation thereof the member bank involved is subject to a penalty not exceeding \$1000 per day for each day during which such violation continues. If any such violation continues for six calendar months after the member bank shall have been warned by the Board to discontinue the same, the rights, privileges and franchises of the national bank, or the rights and privileges of membership of the State bank, as the case may be, may be forfeited as provided in the Federal Reserve Act, as amended.

"(b) Holding company affiliate whose shareholders are personally liable.

"Beginning June 16, 1938, a holding company affiliate, the shareholders or members of which are individually and severally liable in proportion to the number of shares of such holding company affiliate held by them respectively, in addition to the amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, is required only to establish and maintain out of net earnings over and above 6 per centum per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount of not less than 12 per centum of the aggregate par value of bank stocks controlled by it.

"(c) Use of Reserves.

"Beginning June 16, 1938, the assets required to be maintained as reserves may be used by the holding company affiliate for replacement of capital in banks affiliated with it and for losses incurred in such banks; but any deficiency in such assets resulting from such use must be made up within a period of two years after the date such assets were so depleted, unless the Federal Reserve Board, in its discretion, extends such period for cause.

Section X. - Penal Provisions.

"Under sub-paragraph (d) of section 5144 of the Revised Statutes, as amended, every officer, director, agent, and employee of every holding company affiliate of a national bank, or of a State member bank which has entered into an agreement such as that required by Section III hereof, is made subject to the same penalties for false entries in any book, report, or statement of such holding company affiliate as are applicable to officers, directors, agents, and employees of member banks under section 5209 of the Revised Statutes, as amended (U.S.C., title 12, sec. 592).

Section XI. - Revocation of Permit.

"(a) Grounds and Method of Revocation. -

"If it appears to the Board that any holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant thereto, the Board may, in its discretion, revoke any such voting permit after giving sixty days' notice by registered mail of its intention to the holding company affiliate and affording it an opportunity to be heard.

"(b) Effect on National Banks. -

"Whenever a voting permit of a holding company affiliate of a national bank shall have been revoked, no national bank, whose stock is controlled by the holding company affiliate whose permit is so revoked, may receive deposits of public moneys of the United States, or pay any further dividend to such holding company affiliate upon any shares of such bank controlled by such holding company affiliate; and, in the discretion of the Board, the

rights, privileges, and franchises of any or all such banks, the stock of which is controlled by such holding company affiliate, are subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended.

"(c) Effect on State Member Banks. -

"Whenever the Board shall have revoked the voting permit of a holding company affiliate of a State member bank, the Board may, in its discretion, require any or all State member banks affiliated with such holding company affiliate to surrender their stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System, as provided in section 9 of the Federal Reserve Act, as amended.

Section XII. - Participation by Subsidiary Member Banks of Same Holding Company Affiliate Within the Same Federal Reserve District in Nomination or Election of Directors of Federal Reserve Banks.

"Whenever two or more member banks within the same Federal reserve district are subsidiaries of the same holding company affiliate, only one such bank may participate in any nomination or election of directors of the Federal reserve bank for such district, and the holding company affiliate of such subsidiary member banks may designate the particular subsidiary member bank which is to participate in such nomination or election.

Section XIII. - Right to Amend.

"The right to alter, amend, or repeal this regulation, in whole or in part, is expressly reserved."

Mr. James presented a memorandum addressed to him under date of August 4, 1933, by Mr. Morrill, stating that in connection with conversations with Mr. James regarding the administrative approval of vouchers covering routine expenses, it is suggested that the Board be requested to authorize the Secretary or an Assistant Secretary to execute the administrative approval of all routine vouchers for office supplies amounting to not more than \$10.00, all vouchers for the cost of telegraph and telephone service, and all vouchers for bills rendered by the Government Printing Office, all of which are checked very carefully before they are approved. Mr. James stated that the committee consisting of himself and Messrs. Hamlin and Szymczak, appointed at the meeting of the Board on July 28, 1933, for

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the purpose of suggesting changes in the organization of the Board's staff, had approved the above recommendation.

After discussion, the Secretary and any Assistant Secretary charged with the responsibility of approving vouchers were authorized to execute the administrative approval of all routine vouchers of the classes referred to above without the necessity of such vouchers being submitted to the Governor or to a member of the Executive Committee for approval.

The committee appointed at the meeting of the Board on July 28, 1933, to investigate and report to the Board the situation as to the personnel of the Board's staff and what changes in the organization of the staff, or additions thereto, are necessary in order to properly handle the increased work of the Board, then submitted the following report:

"Your Committee has met with the heads of the various Divisions and presented to them the desire of the Board to so modify the hours of work and wage scale in order to conform in letter and spirit to the President's re-employment program.

"The Committee attempted to make it plain to each of the Division heads that he would be responsible for the people employed in his Division; that it was the purpose of the Board to build up its organization to the highest degree of efficiency obtainable, and that in taking on such additional help as may be needed from time to time each Division head must carry the responsibility of making recommendations for appointments strictly upon merit and assuming all responsibility for the proper conduct and efficiency of the organization under his individual control.

"The Committee suggested to the Division heads in its first conference that only the salaries in the lower brackets (\$2400 and under) be readjusted at the present time, with an exception here and there where a change in the nature of the employment and responsibility has been made or some special circumstances make a change at this time desirable.

"With this idea in view the first conference adjourned and the second conference was held on Friday, August 4th, at which the Division heads submitted the following as their recommendations as to salary adjustments.

"From the Secretary's office, Mr. Morrill recommended that Miss Josephine E. Lally be designated as Deputy Fiscal Agent with an increase in salary from \$2100 to \$2400 per annum, with the requirement that she execute bond in the proper form for \$40,000, at her own expense.

"The salary of Mrs. Yvonne Dodd Williamson, Secretary to Mr. Morrill, be increased from \$2100 to \$2400.

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"The salary of Mrs. Marguerite C. Maynard, Secretary to Mr. Paulger, be increased from \$2100 to \$2400.

"The salary of Mrs. Phyllis E. Stewart, Secretary to Mr. Noell, be increased from \$2000 to \$2400.

"Mr. A. C. Walters (understudy for Mr. Carpenter) be increased from \$1800 to \$2000.

"Miss Anne B. Hacker, assistant to Miss Westergren be increased from \$1500 to \$1600.

"Mr. T. M. Buckley, telegraph operator, from \$150 to \$165 per month.

"Walter Peregory, messenger boy in telegraph office, from \$720 to \$840 per annum.

"Warren Kidwell, messenger, from \$720 to \$840 per annum.

"Sidney Washington, Colored messenger, from \$1000 to \$1100 per annum.

"Charles G. Trescott, colored messenger, from \$1100 to \$1200 per annum.

"Mr. Morrill has made the following recommendation regarding the duties of the Assistant Secretary and Fiscal Agent which your Committee has reviewed and recommends adoption. Mr. Morrill's recommendation is:

'Separate the functions of Assistant Secretary and Fiscal Agent by designating Mr. O. E. Foulk (now Deputy Fiscal Agent) as Fiscal Agent without change of salary; designate Miss Josephine E. Lally as Deputy Fiscal Agent, with an increase in salary from \$2100 to \$2400 per annum and with the requirement that she execute bond in the proper form for \$40,000 at her own expense; and assign to Mr. Noell the duties, with the title of Assistant Secretary, which he had prior to the death of Mr. Imlay'.

"From Dr. Goldenweiser comes the following recommendations as to salary adjustments:

"Mr. Harvey Robinson, library clerk, from \$1440 to \$1560.

"Miss Edith Barker, clerk, from \$1440 to \$1560.

"Mr. William Kline, assistant to the printing clerk, from \$1200 to \$1320.

"Miss Helen Mason, who, in the absence of Miss Elder, chief draftsman, has been filling the position adequately since the first of January, from \$1800 to \$2000.

"Mr. Victor Longstreet, of the foreign section of the Division, who has been taking the place of Mr. Gardner, chief of the section, during Mr. Gardner's absence in Europe, from \$2400 to \$2600.

"Dr. Goldenweiser reports that at the present time his Division is occupying about 8,700 square feet (net office space) in the Shoreham Building and thinks that this space will be adequate for his part of the organization for some time to come. Dr. Goldenweiser also reports that the clerical force in his Division does not work longer hours than the standard 39 per week, except in emergencies.

"From the Division of Bank Operations, Mr. Van Fossen, in the absence of Mr. Smead, who is on vacation, recommends the following increases in salary, stating at the same time that this is in accord with Mr. Smead's desire and his idea of what should be done at the present time:

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"David M. Kennedy, statistical clerk, from \$1800 to \$2400.

"Kenneth R. Iverson do from \$1700 to \$2200.

"Frances C. Earnshaw, stenographer, from \$1560 to \$1800.

"Mr. Van Fossen reports that the Division of Bank Operations has sufficient office space at the present time. They are likewise located in the Shoreham Building.

"Mr. Walter Wyatt, General Counsel, asks that Mr. Wilson L. Hooff, clerk, have his salary advanced from \$1800 to \$2400 per annum, the recommendation being based on the increase in responsibility and work that has fallen upon Mr. Hooff, who was formerly assistant to Mr. Seitz. Mr. Seitz has been advanced and shifted to work in another room with Mr. Hooff taking over the entire responsibility for the files.

"In the Legal Department the inadequacy of the space assigned and available is of particular concern, not to say embarrassing, at the present time. The matter of space being specially considered by your Committee and staff, there is nothing to report other than that every effort is being made to secure necessary room. A shifting in the Examination Division to the Shoreham Building will provide certain additional space which will be made available in the immediate future.

"The Division of Examinations, Mr. Paulger, recommends the following adjustment in the compensation of employees in this Division:

"Mr. Edward A. Sheafe, stenographer, from \$1600 to \$1700.

"Mr. E. R. Massey, stenographer, from \$1800 to \$2000.

"Mr. C. H. Bartz, clerk, from \$2400 to \$2700, and it is further recommended that Mr. Bartz be accorded the title of 'Assistant Federal Reserve Examiner'.

"Mr. J. Fred English, assistant examiner, from \$2100 to \$2400.

"Mr. J. J. Connell, assistant examiner, from \$2700 to \$3000.

"Mr. R. B. Chamberlin, examiner, from \$4200 to \$4800. This action including Mr. Chamberlin in the list for adjustment in salaries at this time is taken because he is being used in a supervisory capacity in the handling of capital reduction and fiduciary applications. The character of the work and his ability displayed in handling it is the justification for making the change at this time."

In explanation of the above report, and particularly the second paragraph thereof, Mr. James stated that the report contemplates that the responsibility will be placed on the head of each division of the Board to recommend additions to the personnel of the division as the work of the division expands, and that the committee had stressed in its meetings with the division heads the importance of their responsibility of recommending appointments to the Board solely on the basis of merit and the selection, after a thorough canvass of persons who are known to be available, of the persons best qualified to fill the positions. He also stated that, except

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in certain exceptional cases, the committee recommended that adjustments be made at this time only in salaries which are at rates of \$2,400 or less per annum, and that the committee contemplates that other adjustments of salaries will be considered by the Board at the end of the year.

After discussion, the report was approved and the Board took the following specific actions, effective as of August 16, 1933:

Mr. O. E. Foulk was appointed Fiscal Agent of the Board without a change in salary and with the requirement that he execute a new bond in the amount of \$40,000 as fiscal agent at his own expense; Miss Josephine E. Lally was appointed Deputy Fiscal Agent, with the requirement that she execute bond in the amount of \$40,000 at her own expense; Miss Lally's salary was fixed at the rate of \$2,400 per annum; and there were assigned to Mr. Noell, as Assistant Secretary, all of the duties which he performed prior to his appointment as Fiscal Agent.

Mr. C. H. Bartz was appointed an examiner for all purposes of the Federal Reserve Act, as amended, and all other acts of Congress pertaining to examinations made by, for, or under the direction of the Federal Reserve Board; and was designated as an assistant Federal reserve examiner, with salary at the rate of \$2,700 per annum.

The other salary adjustments recommended in the report were approved, and the rates of compensation of the employees affected were fixed accordingly.

The Governor then presented a letter addressed to him under date of August 1, 1933, by Mr. H. Lane Young, a member of the Commission on Banking Law and Practice appointed by the Association of Reserve City Bankers, transmitting a request of the Commission for permission of the Federal Reserve Board to have published for the use of the various sub-committees of the Commission and the general public the report prepared by the System Committee on branch, group and chain banking.

After discussion, during which reference was made to the consideration given to this matter and the decision reached thereon at the meeting on August 1, 1933, it was decided that the Governor should advise Mr. Young that the Board feels it should not give permission to publish the report.

In this connection, attention was called to the fact

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that copies of the report of the Committee on Branch, Group and Chain Banking had not been sent to the Federal reserve banks, and Mr. Goldenweiser was authorized to send a copy of the report to each Federal reserve bank.

Mr. Morrill reported that following the meeting of the Board yesterday with representatives of the Berks County Trust Company of Reading, Pennsylvania, Mr. Paulger had a further discussion with them regarding the present condition of their institution and that they did not have any additional material facts to report regarding the trust company; that Mr. Paulger had concluded that it would be absolutely essential, before consideration should be given by the Board to another application from the Berks County Trust Company, that a new examination of the institution be made; that Mr. Paulger had taken the matter up with Mr. Austin, Federal Reserve Agent at Philadelphia; and that Mr. Austin had agreed to make arrangements for an examination of the trust company upon receipt from the institution of a new application for membership. Mr. Paulger also made the suggestion, Mr. Morrill stated, that, in view of all the circumstances, it would be desirable for the Federal Reserve Board to have an examiner from its Division of Examinations participate in the proposed examination of the Berks County Trust Company.

After discussion, the participation by one of the Board's examiners in the proposed examination was approved.

Reports of Standing Committee dated August 3 and 4, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
The City National Bank, Hoopeston, Illinois	36	36

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Applications for ADDITIONAL Stock:SharesDistrict No. 1.

The First National Bank of Damariscotta, Maine. (Increase in capital, preferred)	45	
Liberty National Bank, Ellsworth, Maine. (Increase in capital and surplus)	45	
The Peoples National Bank, Marlborough, Mass. (Increase in capital, preferred, partly off- set by decrease in surplus)	54	
Wolfeboro National Bank, Wolfeboro, N. H. (Increase in capital, preferred, partly offset by decrease in surplus)	38	
First National Bank, Bristol, Vermont. (Increase in capital, preferred, partly offset by decrease in surplus)	<u>12</u>	194

Application for SURRENDER of Stock:District No. 5.

Farmers & Merchants National Bank, Bel Air, Md., (Being liquidated through conservator)	72	72
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Approved.

Thereupon the meeting adjourned.

Robert Merrill
Secretary.

Approved:

E. R. Black
Governor.