A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, August 9, 1933, at 11:15 a.m.

PRESENT: Mr. Black, Governor
         Mr. Hamlin
         Mr. Szymczak
         Mr. O’Connor

         Mr. Morrill, Secretary
         Mr. Carpenter, Assistant Secretary

The Board considered and acted upon the following matters:

Telegram dated August 9, 1933, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, both advising that, at meetings of the boards of directors today, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated August 2, 1933, from Mr. Paulger, Chief of the Division of Examinations, requesting that he be granted authority to negotiate for the employment of Mr. Earl D. Buck on the examining staff of the Division of Examinations, with salary at a rate of not more than $4,500 per annum; the request having been approved by six members of the Board on August 8, 1933.

Approved.

Memorandum dated August 7, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Mr. Thomas B. O’Donnell and his designation as an assistant Federal reserve examiner, with salary at the rate of $1,500 per annum.

Mr. O’Donnell was appointed an examiner for all purposes of the Federal Reserve Act, as amended, and of 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 $1,500 per annum, all
effective as of the date on which he enters
upon the performance of his duties.

Memorandum dated August 4, 1933, from Mr. Wyatt, General Counsel,
recommending the appointment of Mr. John D. DuBois to the position of
Assistant Counsel in the office of General Counsel, with salary at the
rate of $5,500 per annum, effective as of the date upon which Mr. DuBois
enters upon the performance of his duties; the recommendation having been
approved by five members of the Board on August 8, 1933.

Approved.

Memorandum dated August 4, 1933, from Mr. Goldenweiser, Director
of the Division of Research and Statistics, recommending the appointment
of Miss Alvern H. Sutherland as Assistant Librarian in the Division of
Research and Statistics, with salary at the rate of $2,500 per annum,
effective October 1, 1933; the recommendation having been approved by
six members of the Board on August 8, 1933.

Approved.

Telegraphic reply on August 4, 1933, approved by six members of
the Board, to a letter dated August 1 from Mr. Austin, Federal Reserve
Agent at Philadelphia, stating that, because of the absence from the bank
of Assistant Federal Reserve Agent Hill on account of illness, and subject
to the approval of the Federal Reserve Board, he has designated Mr. Zell
G. Penner temporarily as acting assistant Federal reserve agent at the
bank. The reply stated that the Board approves the temporary appointment
of Mr. Penner as acting assistant Federal reserve agent, it being under-
stood that there will be no change in his present salary and that he will
remain on the payroll of the Federal reserve agent and be responsible
solely to him.

Approved.
Telegraphic replies to telegrams dated August 7, 1933, from Mr. Newton, Federal Reserve Agent at San Francisco, stating that, subject to the approval of the Federal Reserve Board, he has appointed Messrs. Albert L. Cryor and E. F. Sims as temporary examiners in the Federal reserve agent's department of the Federal Reserve Bank of San Francisco, each with salary at the rate of $300 per month, effective August 21 and August 14, 1933, respectively. The replies stated that the Board approves the temporary appointments referred to, with salaries at the rates stated.

Approved.

Reply on August 8, 1933, approved by six members of the Board, to a letter dated August 1 from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, recommending approval of a salary of $3,600 per annum for Mr. H. E. Coates, Chief of the Investment Department of the bank, this salary being above the maximum of the salary range of $5,000 to $5,500 provided for the position in the bank's personnel classification plan. The reply stated that the Board approves the salary recommended.

Approved.

Letter dated August 5, 1933, to Mr. Yaeger, Deputy Governor of the Federal Reserve Bank of Minneapolis, approved by six members of the Board, stating that, in accordance with the recommendation contained in his letter of July 21, the Board approves changes in the personnel classification plan of the bank to provide for the establishment of the new position of "examination clerk", with four salary ranges for the position, in the bank examination department of the bank, and to provide for a revision of the qualifications of the position of "assistant examiner" in that department.

Approved.
Reply on August 7, 1933, approved by six members of the Board, to a letter dated July 31 from Mr. Austin, Federal Reserve Agent at Philadelphia, written in response to the Board's letter of July 18 in regard to indebtedness and outside business interests of the Federal reserve agent at Philadelphia and the members of his staff. The reply noted that Mr. Austin made no reference in his letter to the Theodore Presser Company and his connection with it as a director, and stated that it will be appreciated if he will advise the Board specifically as to this connection as it is understood that it is actively engaged currently in the business of a music publishing house and, therefore, appears to be within the scope of the Board's circular letter of April 29, 1933 (X-7425). The reply also stated that, for the Board's records, it will be appreciated if Mr. Austin will advise when his resignations are accepted by the boards of directors of the Insurance Company of the State of Pennsylvania, the Philadelphia Bourse, and the Philadelphia Chamber of Commerce.

Approved.

Reply on August 7, 1933, approved by six members of the Board, to a letter dated July 28 from Mr. Hoxton, Federal Reserve Agent at Richmond, advising that Mr. T. Boyd Crooks, receiving teller at the Baltimore branch of the Federal Reserve Bank of Richmond, is an officer and director of the Arlington Loan and Savings Association of Baltimore. The reply stated that it appears from the information contained in the agent's letter that this affiliation is within the scope of the Board's letter of April 29, 1933; that, although there is no objection to Mr. Crooks continuing to perform clerical work for the Association so long as it does not interfere with his duties at the bank, it is felt that he should terminate his official
connection with the company; and that it will be appreciated if Mr. Hoxton will advise the Board of the action taken by Mr. Crooks in this connection.

The reply also noted from the agent's letter that he is satisfied that none of the outside activities of the other three employees referred to in Governor Seay's memorandum of July 14, 1933, and the Board's letter of July 26, 1933, are in any way unethical or of such a nature as might result in embarrassment to the Federal reserve bank.

Approved.

Reply on August 7, 1933, approved by five members of the Board, to a letter dated July 18 from Mr. McClure, Federal Reserve Agent at Kansas City, inclosing a report of the indebtedness as of July 1, 1933, of members of the staff of the Federal reserve agent's department at the Federal Reserve Bank of Kansas City, as well as a statement of the outside business interests of officers and employees of the bank and its branches. The reply noted that certain employees of the Federal reserve agent's department are indebted to, or are guarantors on notes held by, unnamed parties, and stated that it will be appreciated if the agent will advise the Board whether any of these evidences of indebtedness are held by member banks or their affiliates and, if so, whether in such cases, or in the case of the indebtedness of Mr. James R. Taylor to the Commercial National Bank of Kansas City, Kansas, in the amount of $1,600 secured by a mortgage on residence property, the agent is satisfied that the existence of such indebtedness to member banks does not restrict the usefulness of the employees in the Federal reserve agent's department, and that the Board feels that it would be desirable for the agent to give special attention to all cases of indebtedness to member banks with the view of ascertaining the
Practicability of the liquidation of such indebtedness within a reasonable time. The reply also stated that it is reported that Mr. J. C. Clark, Jr., who is indebted in the amount of $230.00 as part of the purchase price of an automobile, expects to obtain funds through a bank loan for the payment of a portion of this indebtedness, and that it is assumed that such funds will not be obtained by borrowing from a member bank. The reply also noted that Governor Hamilton is a director of the Kansas Gas and Electric Company, Wichita, Kansas; that Mr. John Phillips, Jr., Assistant Cashier, is an officer and director, and Mr. E. L. Moore, Clerk in charge of the Receiving and Shipping Section of the Fiscal Agency Department, is an officer, of a small mining company with property located in Humboldt County, Nevada; that Mr. E. U. Sherman, Assistant to the Officer in Charge of the Discount Department, is a director of the Perry Motor Company, director and treasurer of the Perry Building Company, director, secretary and treasurer of the Skelton Lead and Zinc Company, and secretary and treasurer of the Continental Mining and Development Company; that Mr. J. H. Campbell, Special Agent, is director and treasurer of the Joplin Machinery and Electric Company, Joplin, Missouri; and that Mr. Sherman expects to resign the several offices held by him at the next meetings of the boards of directors of the respective companies; and stated that it is felt that the other officers and employees referred to should terminate their official connections with outside companies as soon as possible, and that it will be appreciated if the agent will advise the Board as to the action taken by Messrs. Hamilton, Phillips, Sherman, Campbell and Moore in this connection. The reply stated further that, as to the other activities of officers and employees listed in the statement inclosed with the agent's letter, it is assumed that the agent has satisfied himself that they do not in any way impair the efficiency of such officers and employees,
or involve any financial or other relations that may be embarrassing to the Federal reserve bank, but that it will be appreciated if the agent will confirm this assumption.

Approved.

Letter dated August 5, 1933, to the board of directors of the Bear Butte Valley Bank, Sturgis, South Dakota, approved by six members of the Board, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Minneapolis to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Letter dated August 5, 1933, to the board of directors of the Stromsburg Bank, Stromsburg, Nebraska, approved by five members of the Board, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Kansas City to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Letter dated August 8, 1933, to the board of directors of the State Bank of London Mills, Illinois, approved by five members of the Board, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Chicago
to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Letter dated August 5, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by six members of the Board, replying to Assistant Federal Reserve Agent Dillistin’s letter of June 29 transmitting the application of the South Side Bank of Bay Shore, New York, for membership in the Federal Reserve System. The reply stated that, in view of the many unsatisfactory features in the condition of the South Side Bank, the Board feels that it is not justified in approving the application of the bank at this time, and requested that the agent communicate with the bank and suggest the withdrawal of its application. The reply also stated that if the management of the bank shall effect a correction of, or a substantial improvement in, the criticized features of its condition, the Board, upon the agent’s favorable recommendation, will be glad to consider a new application, after a complete examination of the bank, including detailed information as to the condition of the trust department, made independently of or in cooperation with a State bank examiner.

Approved.

Letter dated August 8, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by five members of the Board, replying to Assistant Federal Reserve Agent Dillistin’s letter of July 24 inclosing a copy of a letter dated July 21 from Mr. O’Hara, Managing Director of the Buffalo branch, stating that the president of the Erie County Trust Company, East Aurora, New York, wishes the application for membership of that bank to remain in abeyance pending further consideration of new angles injected into the matter
by the Banking Act of 1933 which became effective subsequent to the date
of the application. The reply stated that, accordingly, the Board will
take no action on the application and that if the institution desires to
be admitted to membership at a future time, the Board, upon the agent's
favorable recommendation, will be glad to consider a new application sup-
ported by a current report of examination, including detailed information
as to the condition of the trust department.

Approved.

Reply on August 5, 1933, approved by six members of the Board, to a
letter dated July 5 from Mr. Hoxton, Federal Reserve Agent at Richmond,
transmitting the application of the Bank of Raleigh, Beckley, West Virginia,
for membership in the Federal Reserve System. The reply stated that, in
view of the many unsatisfactory features in the condition of the Bank of
Raleigh, the Board feels that it is not warranted in approving the applica-
tion of the bank at this time, and requested that the agent communicate
with the bank and suggest the withdrawal of its application. The reply
also stated that, in the event a correction of, or a substantial improve-
ment in, the criticized features of the bank's condition is effected by
the bank's management, the Board, upon the agent's favorable recommenda-
tion, will be glad to consider a new application, after a complete examina-
tion of the bank, including detailed information as to the condition of the
trust department, made independently of or in cooperation with State ex-
aminers. In this connection, the reply also noted that the Bank of Raleigh
contemplates the purchase of stock in the Raleigh Corporation, which has
been formed to take over certain real estate from the bank, and requested
that the agent advise the bank that, in view of the fact that under the
Provisions of the Banking Act of 1933 a member bank may not purchase stock in other corporations, except in certain very limited classes of cases, the Board does not feel it could properly permit the Bank of Raleigh to become a member of the Federal Reserve System while retaining in its assets the stock of the Raleigh Company.

Approved.

Reply on August 5, 1933, approved by six members of the Board, to a letter dated July 26 from Mr. Hoxton, Federal Reserve Agent at Richmond, in regard to compliance by the Bank of Glade Spring, Virginia, with its condition of membership number twenty, which provides for the disposition of its stockholdings in the Farmers Exchange Bank of Abingdon, Virginia. The reply noted that the Bank of Glade Spring still holds approximately $22,000 of such stock which it proposes to distribute to its stockholders through a special dividend, and stated that, in view of the favorable capital structure of the bank and the large amount of undivided profits and reserves, the Board will interpose no objection to the bank declaring a special dividend payable in stock of the Farmers Exchange Bank of Abingdon, and will consider such disposition of the bank stock as a compliance with the condition of membership. The reply also stated that it is understood that the stock of the two institutions will be represented by separate certificates, and that after distribution of the dividend the transfer of stock in the one bank will not depend in any way upon transfer of stock in the other, and that, while the agent's advice in this matter was not accompanied by a direct recommendation, it is assumed that he feels the Board's position is appropriate in the circumstances.

Approved.

Telegram dated August 4, 1933, to Mr. Stevens, Federal Reserve Agent
at Chicago, approved by six members of the Board, replying to Assistant Federal Reserve Agent Young's letter of July 27 transmitting a request from the Citizens Banking Company, Anderson, Indiana, that condition of membership number 21 prescribed by the Board in its telegram of June 3, 1933, be modified to allow the Citizens Banking Company to maintain the Citizens Banking Insurance Corporation for one year after the date of admission to membership. The reply stated that, in view of the fact that condition of membership number 20 gives the bank one year in which to dispose of its one-quarter interest in the stock of the Citizens Banking Insurance Corporation, the Board does not consider part three of condition numbered 21 as applicable to the Citizens Banking Insurance Corporation during such period of one year, and that the Board grants the bank an extension of ten days from August 2, 1933, in which to complete its membership.

Approved.

Telegraphic reply on August 8, 1933, approved by five members of the Board, to a letter dated July 31 from Mr. Walsh, Federal Reserve Agent at Dallas, with regard to a proposed application for membership in the Federal Reserve System on behalf of a new bank to be organized to take over certain assets and assume the deposit liabilities of the City Savings Bank and Trust Company, Shreveport, Louisiana. The reply stated that the procedure suggested by the agent in connection with the application is appropriate in the circumstances, and that it is understood that the date for opening the new bank will be set sufficiently far in advance to afford the agent's office and the Board adequate time in which to consider the application, and that the usual full information with regard to the character of the assets to be taken into the new bank, the character of the management
of the new bank, the terms of the agreements under which the transaction
is to be effected, and the powers of the new institution will accompany
the application. The reply also stated that in a case of this kind it
is especially desirable for counsel for the Federal reserve bank to give
careful consideration to all legal aspects involved in the application,
including the effectiveness of any agreements covering the transaction,
and for the Board to be advised fully as to any changes to be made in
the management of the bank.

Approved.

Letter dated August 5, 1933, approved by four members of the
Board, prepared in accordance with the action taken at the meeting on
July 28, and referring to a letter dated July 27 from Mr. Austin, Federal
Reserve Agent at Philadelphia, with regard to the status of the Berks
County Trust Company of Reading, Pennsylvania, which on June 30, 1932,
consolidated with the Colonial-Northeastern Trust Company of Reading,
a nonmember institution, following which the consolidated institution
applied for 1,500 shares of stock of the Federal Reserve Bank of Phila-
delphia; the new application having been filed because of the fact that
the consolidation could not be effected under the charter of the old
Berks County Trust Company which was a member of the Federal Reserve
System. The reply reviewed the correspondence between the Federal Re-
serve Board and the Federal Reserve Bank of Philadelphia in connection
with the application for membership, and stated that it is clear that
the Board has never acted favorably upon the application of the present
Berks County Trust Company for membership in the Federal Reserve System,
but, on the contrary, stated definitely its position that it felt that
it was not justified in taking favorable action, and that it follows as
a matter of course that the present trust company has never been a member of the Federal Reserve System, notwithstanding the fact that it acquired the assets of the Berks County Trust Company which had been a member, as well as the assets of the Colonial-Northeastern Trust Company, which was not a member. The reply also stated that the fact that the trust company's application for membership has not been granted does not render the bank ineligible for advances, under the Act of March 24, 1933, to it as a nonmember banking institution, upon compliance with the provisions of that act, nor does it prevent it from having the benefits of a nonmember clearing account, if the Federal Reserve Bank of Philadelphia is favorably inclined to such action; that, as stated by Governor Black to Governor Norris over the telephone on Friday, July 28, 1933, the fact that the bank was not admitted to membership does not prevent the Federal Reserve Bank of Philadelphia from renewing the outstanding discounts if, in the judgment of the Federal reserve bank, it is advisable to do so as a means of liquidating the indebtedness in an orderly way to the best advantage of both the trust company and the Federal reserve bank; but that, on the other hand, new advances cannot be made except under the authority of the provisions of law relating to loans to nonmember institutions; and that, as stated in the Board's letter of May 4 to Mr. Austin, the Board will be pleased to consider a new application for membership if and when the agent feels there has been sufficient correction effected both in condition and management to justify presenting such application with the agent's recommendation and that of the board of directors of the Federal Reserve Bank of Philadelphia that such application be granted. The reply also reviewed briefly certain matters which were brought to the attention of the representatives of the Berks County Trust Company at the meeting of the Board on August 3, 1933.

Approved.
Letter dated August 7, 1933, to Mr. Hoxton, Federal Reserve Agent at Richmond, approved by five members of the Board, replying to Assistant Federal Reserve Agent Fry's letter of July 22 inclosing a copy of a letter from the Carolina Savings Bank, Charleston, South Carolina, in connection with the charge-off of certain estimated losses as shown in the report of examination of that bank as of June 7, 1933. The reply noted from the correspondence that the bank has reduced its surplus account by $50,000 and has applied $25,000 to receivables classed as doubtful or loss and $25,000 to depreciation on securities; that it is willing to charge off the entire amount of approximately $92,000 classed by the examiner as loss if the agent considers it prudent and will direct it to do so; that the agent's office is inclined to think that the additional charge-off of approximately $42,000 should not be required at this time under present conditions; and that Mr. Fry has requested that the agent's office be advised as to the Board's attitude under these circumstances. The reply stated that the Board feels that its position has been expressed in its letter to Mr. Hoxton under date of July 18, 1933; that it appreciates the spirit of cooperation manifested in the letter addressed to the agent's office by the Carolina Savings Bank but believes, as a matter of sound banking practice, that the losses estimated in the report of examination should be removed from the assets of the bank; and that in determining the way in which it will eliminate such losses, the bank should consider whether, in view of all the circumstances involved, it can properly use its surplus with due regard to the safety of its depositors or should eliminate such losses through the introduction of new funds.

Approved.

Letter dated August 7, 1933, to Mr. Stevens, Federal Reserve Agent
at Chicago, approved by five members of the Board, replying to Assistant
Federal Reserve Agent Young's letter of July 13 transmitting an analysis
of report of examination of the Merchandise Bank and Trust Company, Chicago,
Illinois, as of June 14, 1933. The reply observed from Mr. Young's letter
that the bank requests that it be granted until September 1, 1933, to effect
a charge-off of the assets classified by the examiner as estimated losses,
when the institution also will eliminate assets classified as doubtful, and
stated that the Board believes that in any case the estimated losses and at
least depreciation on securities other than those in the four highest grades
as classified by a recognized investment service organization should be
eliminated as soon as possible; that the Board feels in this case that the
bank should eliminate all losses as soon as possible; and that it is under-
stood that not later than September 1, 1933, the Merchandise Bank and Trust
Company will eliminate not only all losses but also all assets classified as
doubtful in accordance with its advice to the agent's office. The reply also
noted in the analysis of the report of examination that loans classified as
doubtful or as estimated losses include several secured, in violation of the
Illinois Statutes, by stock in the Merchandise Bank and Trust Company, and
stated that unless such security was taken to prevent loss on debts previous-
ly contracted in good faith, the loans are also in violation of the Federal
Reserve Act, and that the Board would like to be advised as to whether these
loans comply with the provisions of section 9 of the Federal Reserve Act and,
if they do not, what action has been taken to prevent the granting of such
illegal loans.

Approved.

 Replies on August 7, 1933, approved by five members of the Board, to
letters dated July 19 from Mr. Peyton, Federal Reserve Agent at Minneapolis,
advising that the First National Bank of Centerville, South Dakota, and the First National Bank of Staples, Minnesota, had been continuously deficient in their required reserves for more than six months, and reply on August 3, 1933, approved by six members of the Board, to a letter dated July 19 from Mr. Peyton advising that the First National Bank of Bayfield, Wisconsin, was continuously deficient in its required reserves during the seven months period ending with June, 1933. The replies stated that the information submitted has been noted, and that, in accordance with the agent's recommendations, the Board will take no action with regard to the deficiencies at this time, other than to forward copies of the agent's letters to the Comptroller of the Currency for the information of his office.

Approved.

Reply on August 7, 1933, approved by three members of the Board, to a letter dated July 31 from Mr. O'Connor, Comptroller of the Currency, quoting condition number 1 contained in the Board's letter of July 27, 1933, with regard to a reduction in the capital stock of the Wellesley National Bank, Wellesley, Massachusetts, and stating that the plan contemplates a reduction in capital from $300,000 to $120,000, to be followed immediately by an increase of capital to $270,000 by the sale of new shares; that the statement in the condition referred to above provides that all of the present stock is to be surrendered to the bank; and that advice is requested as to whether the reduction will be satisfactory under the conditions outlined in the Comptroller's letter. The reply advised that the first paragraph of the Board's letter of July 27, 1933, stated the Board's understanding that the present capital stock of $300,000, represented by 3,000 shares of a par value of $100 per share, would be surrendered; that the par value of such capital stock would be reduced from $100 to $10 per share; that 12,000 shares
of a par value of $10 per share would be issued in return for such surrendered stock, and that 15,000 new shares would be sold at $10 per share, resulting in a reduction in capital stock from $300,000 to $120,000 and an increase in capital stock from $120,000 to $270,000; that, although condition number 1 contains no reference to such reissuance of $120,000 par value of common stock in return for the surrendered stock, that was the understanding of the Board in approving the proposed reduction in capital; and that the Board's letter of July 27, 1933, should be interpreted accordingly.

Approved.

Letter dated August 8, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by six members of the Board, replying to Assistant Federal Reserve Agent Young's letter of July 7 inclosing the application of the First National Bank in Colfax, Iowa, for permission to act in all fiduciary capacities authorized under section 11(k) of the Federal Reserve Act. The reply stated that the Board has considered this application, and, in view of the institution's small capital structure as compared with the deposit liability, the questionable need of the bank for trust powers, as reflected by the fact that the First National Bank of Colfax had only one trust account, and the further fact that the bank has been in operation for only a short time and is under the same management as the First National Bank of Colfax, from which the applicant bank purchased its assets, the Board is unwilling to approve the application.

Approved.

Telegraphic reply to a telegram dated August 4, 1933, from Mr. Fry, Assistant Federal Reserve Agent at Richmond, advising of the transmission on that date of a new application of the Baltimore National Bank, Baltimore, Maryland, for 1,140 shares of stock of the Federal Reserve Bank of Richmond. The
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reply stated that the Board approves the new application of the national bank
for 1,140 shares of stock of the Federal Reserve Bank of Richmond and revokes
the approval granted on March 14, 1933, of the bank's application for 2,400
shares of stock.

Approved.

Memorandum dated August 1, 1933, from Mr. Vest, Assistant Counsel,
recommending that statements, in the form attached to the memorandum, with
regard to certain of the Board's rulings and interpretations with respect
to the Banking Act of 1933, that are of general interest, be published in the
next issue of the Federal Reserve Bulletin.

Approved.

Memorandum dated July 28, 1933, from Mr. Van Fossen, Assistant Chief
of the Division of Bank Operations, stating that the Federal Reserve Bank of
Dallas has requested the Board's approval of the following changes in the inter-
district time schedule for cash items between the Houston and San Antonio bran-
ches and other Federal reserve bank and branch cities:

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The memorandum also stated that the Federal Reserve Bank of Dallas has advised
that the proposed changes have been approved by the Federal reserve banks af-
fected, and recommended that the proposed changes be approved. The recommenda-
tion was approved by six members of the Board on August 7, 1933.

Approved.
Reply on August 8, 1933, approved by six members of the Board, to a letter addressed under date of June 26 by Mr. C. H. Martin, President of the Security Trust and Savings Bank of San Diego, California, to the Comptroller of the Currency and by him referred to the Federal Reserve Board for reply, stating that more than two-thirds of the stock of the Security Trust and Savings Bank is trusteeed for the benefit of certain individuals under the terms of a certain voting trust agreement, and requesting advice as to whether this agreement is affected by the Banking Act of 1933. The reply reviewed the provisions of the agreement referred to, and stated that the Security Trust and Savings Bank is not a member bank of the Federal Reserve System, and that, in the circumstances stated, it would not appear that the agreement would be affected by the Banking Act of 1933.

Approved.

Reply on August 5, 1933, approved by six members of the Board, to a letter dated July 28 from Senator Tom Connally requesting information as to the amount of bills discounted by the Federal Reserve Bank of Dallas for member banks during each year since the organization of the Federal Reserve System to the end of 1932, and as to the bank's losses on bills discounted for member banks during that period. The reply set forth the information requested as to the amount of bills discounted and stated that losses on bills discounted, charged off by the Dallas bank to the end of 1932, totaled $1,960,000, and that it is not practicable to indicate the portion of this loss that is properly chargeable to any given year, inasmuch as the amount charged off at any one time includes all determined losses on paper discounted by the Federal reserve bank, irrespective of the year in which the paper was acquired.

Approved.
Letter dated August 7, 1933, to the Federal Home Loan Bank Board, approved by six members of the Board, referring to the Board's letter of July 21 regarding the use by an institution which is a member of the Federal Home Loan Bank System of a symbol similar to that being used by member banks of the Federal Reserve System, and stating that, after that letter was written, the Federal Reserve Board was advised by one of the Federal reserve banks that the symbol used by member banks of the Federal Reserve System appeared, presumably as a result of a printer's error, in the published statement of another institution which is a member of the Federal Home Loan Bank System, and that the matter is respectfully called to the attention of the Federal Home Loan Bank Board as further evidence of the fact that the similarity of the symbols is so close as to create danger of confusion in the minds of the public.

Approved.

Reply on August 8, 1933, approved by four members of the Board, to a letter dated June 24 from Assistant Deputy Governor Netterstrom of the Federal Reserve Bank of Chicago stating that the bank has issued its check in the amount of $315.17 to the Building Managers Association in payment of its pro rata share of the fee of Mr. Lester Falk, counsel for the Building Managers Association, in representing the Federal Reserve Bank of Chicago and various other owners of property in the loop district in connection with certain litigation involving the validity of the tax assessment for the year 1923 which resulted in saving the Federal Reserve Bank of Chicago the sum of $20,673. The reply stated that, inasmuch as the Federal reserve bank's share of this fee amounted to less than $1,000, it is not necessary for it to be approved specifically by the Federal Reserve Board under the terms of the Board's letter of February 15, 1926 (X-4531).

Approved.
Letter dated August 7, 1933, to Mr. Hoxton, Federal Reserve Agent at Richmond, approved by six members of the Board, replying to Assistant Federal Reserve Agent Fry’s letter of July 29 transmitting a copy of a letter from Mr. A. G. Snyder, Jr., Treasurer of the Fidelity Trust Company, Baltimore, Maryland, requesting advice as to whether that trust company can, as a State member bank, purchase stock in the Baltimore National Bank. The reply noted that the Fidelity Trust Company has a deposit with the Baltimore Trust Company which is operating on a restricted basis, that, according to the plans of reorganization of that bank, a ten per cent payment is to be made on the frozen balances, and that the Fidelity Trust Company has been requested to use that payment for the purchase of stock in the Baltimore National Bank, a new bank to be organized. The reply also stated that, with certain limited exceptions, which do not apply in this case, member banks are not authorized to purchase stock in any corporation, and that under the law, therefore, the Fidelity Trust Company has no power to purchase stock in the Baltimore National Bank.

Approved.

Reply on August 4, 1933, approved by six members of the Board, to a letter dated July 22 from Mr. Walsh, Federal Reserve Agent at Dallas, quoting an inquiry received from Mr. Oxsheer Smith, President of the Citizens National Bank, Cameron, Texas, as to whether section 33 of the Banking Act of 1933 prohibits his being a member of a partnership which makes loans secured by automobiles. The reply reviewed the provisions of section 33 of the Banking Act of 1933, stated that it will be observed that the only type of collateral loans referred to in that section are loans secured by stock or bond collateral; and that, accordingly, the section does not prohibit an officer or director of a national bank from being at the same time a member of a partnership which only makes loans secured by automobiles.

Approved.
Telegraphic reply on August 8, 1933, approved by four members of the Board, to a letter dated August 4 from Mr. Walsh, Federal Reserve Agent at Dallas, inquiring as to whether a certain insurance company is an affiliate of the United States National Bank, Galveston, Texas. The reply stated that it is understood that a majority of the shares of stock of the member bank and of the insurance company, respectively, are held by the firm of H. Kempner, and that it is the opinion of the Board that, in such circumstances, the insurance company is an affiliate of the member bank within the meaning of section 2(b) (2) of the Banking Act of 1933.

Approved.

Reply on August 8, 1933, approved by four members of the Board, to letters dated July 5 and August 1 from The Riggs National Bank, Washington, D.C., requesting advice as to whether the bank may lawfully pay interest on demand deposits made by the Inland Waterways Corporation, a corporation created by an Act of Congress, all of the stock of which was subscribed for, and presumably is held by, the United States. The reply reviewed the provisions of section 19 of the Federal Reserve Act, as amended, and stated that it appears that a member bank is forbidden by law to pay interest on deposits of the Inland Waterways Corporation which are payable on demand, except in accordance with a contract entered into in good faith before June 16, 1933, and existing on that date, and that any such contract must be modified by the bank as soon as possible to eliminate any provision for the payment of interest.

Approved.

Reply on August 8, 1933, approved by four members of the Board, to a letter dated August 1 from Mr. Charles H. Willard of the firm of Davis, Polk, Wardwell, Gardiner & Reed, New York City, New York, with reference to certain questions arising under the Banking Act of 1933, and to the procedure to be
followed in order to obtain rulings from the Federal Reserve Board. The reply stated that there is no fixed procedure which is rigidly adhered to with respect to the issuance of such rulings, but that, for practical reasons, the Board prefers to have requests for rulings submitted through the Federal reserve banks in the form of letters giving all the essential facts in specific cases giving rise to such questions, and that under such a procedure the Federal reserve banks are often able to answer such questions themselves; and that, if they find it necessary to refer the questions to the Federal Reserve Board, they can see that all essential facts are presented to the Board and give the Board an expression of their views on the questions presented. The reply also stated that if there is any reason why Mr. Willard prefers to submit questions directly to the Board instead of submitting them to the Federal Reserve Bank of New York in the first instance, it is suggested that he address a separate letter to the Board on each question, stating therein all of the essential facts in a specific case actually giving rise to such question and quoting in full any provision of State law having a bearing on the question, and that if he has any definite views as to how the question should be answered, the Board would also be glad to consider any opinion or memorandum of law thereon which he may care to submit.

Approved.

Reply on August 7, 1933, approved by five members of the Board, to a letter dated July 18 from Mr. Curtiss, Federal Reserve Agent at Boston; the reply reading as follows:

"Reference is made to your letter of July 18, 1933, designated 'Inquiry No. 29', wherein you inquire whether, under the provisions of Section 23A of the Federal Reserve Act, as amended by Section 13 of the Banking Act of 1933, a member bank may make loans to an affiliate secured by real estate mortgages.

"You state that, "The affiliate in question is a company to which
the member trust company has transferred assets or property taken over from time to time on debts previously contracted, including certain parcels of real estate, the affiliate managing and operating such properties until they can be disposed of in a satisfactory way. The loans by the member trust company to the affiliate would be secured by mortgages on the real estate, which, in the opinion of the officers of the member trust company, would have a market value of at least 20 per cent in excess of the amount of the credit.

"Section 23A reads, in part, as follows: "Within the foregoing limitations, each loan or extension of credit of any kind or character to an affiliate shall be secured by collateral in the form of stocks, bonds, debentures, or other such obligations having a market value at the time of making the loan or extension of credit of at least 20 per centum more than the amount of the loan or extension of credit, or of at least 10 per centum more than the amount of the loan or extension of credit if it is secured by obligations of any State, or of any political subdivision or agency thereof."

"In view of the requirement that each loan to an affiliate be secured by 'collateral in the form of stocks, bonds, debentures, or other such obligations' having a certain 'market value', the answer to your inquiry depends upon whether the real estate mortgages in question are 'other such obligations having a market value' within the meaning of the above provision.

"Since it follows the words, 'stocks, bonds, debentures,' the phrase 'other such obligations' clearly includes only obligations which are of the same general character as stocks, bonds and debentures - i.e., obligations of the kind commonly known as 'investment securities', which ordinarily do not arise out of direct loans but are issued for sale to investors on the open market. Furthermore, the phrase 'having a market value * * * of at least 20 per centum more than the amount of the loan or extension of credit' indicates strongly that the law refers to obligations for which there are sufficient price quotations on the open market to make it possible to determine their market value with reasonable accuracy.

"While it is not impossible for real estate mortgages to conform to the above requirements, it is believed that those arising out of the ordinary type of direct loans on real estate usually are not obligations of the kind contemplated by the statute; and, where a member bank transfers to an affiliated corporation real estate which the bank has acquired in satisfaction of debts and either takes a mortgage from the corporation as consideration for such transfer or subsequently makes a loan to the affiliate secured by a mortgage on such real estate, such a mortgage is not an obligation of the kind contemplated by the statute."

Approved.

Reply on August 8, 1933, approved by four members of the Board, to a letter dated July 24 from Mr. Curtiss, Federal Reserve Agent at Boston; the reply reading as follows:

"Receipt is acknowledged of your letter of July 24, 1933, inclosing
"the original of a letter, under date of July 24, 1933, addressed to you by Mr. A. C. Ratkesky, Chairman of the Board of Directors of the United States Trust Company, Boston, Massachusetts. Mr. Ratkesky requests that the United States Trust Company be relieved of the necessity of publishing a report of condition of the United States Trust Securities Corporation.

"From the statements in Mr. Ratkesky's letter, the Board understands that the United States Trust Company owns all the outstanding stock of the United States Trust Securities Corporation, an investment corporation which ceased to do business in 1932, and that such corporation is being dissolved as rapidly as possible. It is further understood that on April 25, 1932, the Commissioner of Corporations of Massachusetts ruled that no further certificates of condition would be required from this corporation.

"The Board does not consider that the provisions of the Banking Act of 1933, requiring reports of affiliates, are applicable to organizations which have been formally placed in liquidation or receivership prior to the date of the Board's call for condition reports of State member banks and their affiliates; and, if the United States Trust Securities Corporation was formally placed in liquidation or receivership on or before June 30, 1933, it will not be necessary for the United States Trust Company to furnish or publish a report of the securities corporation. However, it does not appear from the information submitted whether the securities company had been formally dissolved or formally placed in liquidation or receivership on that date. The fact that the securities corporation ceased to do business prior to June 30, 1933, would not affect its status as an 'affiliate' of the trust company, unless, in addition, formal action had been taken to dissolve the corporation.

"Inasmuch as the determination of the question whether an organization has been formally placed in liquidation or receivership depends to a large extent on the applicable State law, it is suggested that you refer the instant question to your counsel for an opinion. If you desire the Board to consider the matter further after receiving the views of your counsel, it is requested that you submit the question to the Board and furnish the Board with a copy of your counsel's opinion."

Approved.

Reply on August 4, 1933, approved by six members of the Board, to a letter dated July 29 from Acting Governor Johns of the Federal Reserve Bank of Atlanta; the reply reading as follows:

"Reference is made to your letter of July 29, 1933, addressed to Governor Black, regarding the inquiry made by Mr. H. G. Fannin, vice president and director of the Commercial Bank of Panama City, Florida, as to whether he may also serve after January 1, 1934, as a director of a new national bank to be organized in Tarpon Springs, Florida, in view of the provisions of section 8A of the Clayton Anti-trust Act, as amended by section 33 of the Banking Act of 1933.

"That section in so far as applicable to the present case, prohibits the service of an officer or director of a national bank as an officer or director of any institution (except a mutual savings bank),
which makes loans secured by stock and bond collateral. However, under the provisions of the so-called Kern Amendment in section 8 of the Clayton Anti-trust Act, the Board is authorized to grant permission to an officer, director or employee of a national bank to serve at the same time as an officer, director or employee of another banking institution falling within the prohibitions of any provision of the Clayton Act, if in the judgment of the Board it is not incompatible with the public interest.

"Therefore, it would be unlawful, after January 1, 1934, for Mr. Fannin to serve as an officer or director of both of these national banks if either of them shall make loans secured by stock or bond collateral, unless there is in force a permit covering such services issued by the Federal Reserve Board. The Board, of course, will not be in a position to say whether or not a permit will be issued, until after an application in proper form has been submitted to it. You are requested to advise Mr. Fannin that in the event he desires to obtain the permission of the Board covering his service as an officer or director of these banks, he should submit his application for such permission to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta. Pending the issuance of further forms and regulations, it is requested that the Board's regular forms 94, 94a, and 94b be used; and it is also requested that in addition to the information heretofore required in connection with such an application there be submitted a statement showing, as to each of the institutions involved, whether it makes or proposes to make loans secured by stock or bond collateral, the purposes for which such loans are made, and other details so that the Board may be advised fully as to the nature and extent of such business in the case of each of the institutions.

"The Board received a telegram from Mr. Fannin on this subject under date of July 20, 1933 and this matter was receiving attention before your letter was written. However, the Board's staff is overwhelmed with important matters arising under the Banking Act of 1933 and, in fairness to all concerned, is endeavoring to deal first with those questions which arise under provisions of the Act which became effective immediately and which are of general interest to all member banks and not merely of special interest to a single member bank or a few member banks. Cooperation in this policy by the Federal reserve banks will be appreciated."

Approved.

Reply on August 4, 1933, approved by six members of the Board, to a letter dated July 26 from Deputy Governor Johns of the Federal Reserve Bank of Atlanta; the reply reading as follows:

"Reference is made to your letter of July 26, 1933, in which you make inquiry with regard to the effect of section 9 of the Banking Act of 1933, which amends the eighth paragraph of section 13 of the Federal Reserve Act, as amended.

"You point out that section 28 of the Emergency Farm Mortgage Act of May 12, 1933 amended the eighth paragraph of section 13 of the Federal Reserve Act so as to authorize Federal reserve banks to accept Federal farm loan bonds as security for advances to member banks on their promissory notes under the authority of that paragraph;
"you refer to the fact that the eighth paragraph of section 13, as amended and reenacted by section 9 of the Banking Act of 1933, approved June 16, 1933, omits the reference to Federal farm loan bonds; and you state that, in the opinion of your General Counsel, such omission amounts to a repeal of the authority to accept such bonds as security for such notes. In view of the numerous inquiries which you have received you request a ruling on this point.

"The Board concurs in the view expressed by your General Counsel on this subject."

Approved.

Reply on August 8, 1933, approved by four members of the Board, to a letter dated July 29 from Mr. Young, Assistant Federal Reserve Agent at Chicago; the reply reading as follows:

"Receipt is acknowledged of your letter of July 29, 1933, in which you advise the Board that on July 31, 1933, you intend to commence an examination of the Badger State Bank, Milwaukee, Wisconsin, a member bank of the Federal Reserve System. You state that the Badger State Bank is owned by the Wisconsin Bankshares Corporation, which also owns 38 other banks, and that the 38 other banks include 23 State nonmember banks and eight national banks in the 7th District in Wisconsin, and 3 State banks and 4 national banks in the 9th District in Wisconsin. Apparently, it is your opinion that you are required to examine the holding company affiliate; that the examination of the organizations in the group should be confined to the Badger State Bank and its holding company affiliate; and that the requisite information with respect to the 38 other banks owned by the holding company affiliate may be obtained from reports of such banks in the files of the various supervising authorities of these banks.

"Section 9 of the Federal Reserve Act, as amended by section 5(c) of the Banking Act of 1933, provides that 'In connection with examinations of State member banks, examiners selected or approved by the Federal Reserve Board shall make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such bank.' Although you have furnished the Board with no detailed information as to the ownership or control by the Wisconsin Bankshares Corporation of the banks in question, it would appear that the national and State banks which are subsidiaries of the Wisconsin Bankshares Corporation are affiliates of the Badger State Bank within the meaning of section 2, subparagraph (b) subdivision (2) of the Banking Act of 1933, and, therefore, that the Federal reserve bank examiners are required to make such examinations of each such affiliate of the member bank as may be necessary to disclose fully the relations between the member bank and its affiliates, and the effect of such relations upon the affairs of the member bank. Since the
nature of the examination which may be necessary to disclose the requisite information will be dependent to a large extent upon the facts of each particular case, the Board is of the opinion that an examination restricted to a review of the reports of the supervising authorities may not meet the requirements of the statute in every case, and accordingly, that the affiliates of the Badger State Bank should be subjected to a more detailed examination if it should appear from the facts developed in the course of examination of the member bank or any of its affiliates that such additional examination should be made. In any such case, the Board is of the opinion that the extent and form of examination of any affiliate of the member bank should rest in the sound discretion of the examiners duly authorized to examine the member bank.

"It is the opinion of the Board that the word 'affiliate', as used in that provision of section 9 of the Federal Reserve Act, as amended, which requires examination of each affiliate of a State member bank, may not be construed as including a 'holding company affiliate', and that a holding company affiliate of a State member bank (other than a member bank) is not subject to examination unless and until it enters into an agreement to be subject to all the applicable provisions of section 5144 of the Revised Statutes, as amended, and makes an application to the Board for a voting permit under the authority of section 5144. The Wisconsin Bankshares Corporation has not filed with the Board any such agreement and application, and accordingly, the law does not require an examination of this holding company affiliate by Federal reserve bank examiners at this time."

Approved.

Reply on August 8, 1933, approved by four members of the Board, to a letter dated July 18 from Mr. Young, Assistant Federal Reserve Agent at Chicago; the reply reading as follows:

"Receipt is acknowledged of your letter of July 18, 1933, inclosing copy of a letter from Mr. L. S. Burk, President of the Liberty Bank of Chicago, under date of July 17, 1933. Mr. Burk desires to know whether the Liberty Safe Deposit Company is an 'affiliate' of the Liberty Bank, and whether the Liberty Bank will be required to obtain and publish a report of condition of the Safe Deposit Company.

"Mr. Burk states that in December of 1932, the Liberty Bank 'took the stock of the Safe Deposit Company and we now carry it on our books at $1.' If this means that the Liberty Bank acquired ownership of, and now owns or controls, all or a majority of this stock, it would appear that the safe deposit company is a corporation of which a member bank owns or controls a majority of the voting shares, and that such company is an affiliate of the member bank within the meaning of section 2(b) of the Banking Act of 1933. In such circumstances, it would appear that the Liberty Bank is required to obtain a report of such company, and to publish such report under the same conditions as
"govern its own condition reports.

"As you know, section 9 of the Federal Reserve Act, as amended by section 5(c) of the Banking Act of 1933, is mandatory in its terms, and the Board has no authority to waive the requirement of that section that each State member bank shall publish the reports of its affiliates under the same conditions as govern its own condition reports. However, it is unnecessary for a member bank to publish any such report unless and until it is required to publish its own condition report.

"The statement of the Liberty Safe Deposit Company inclosed in your letter fails to state specifically the character of its business and its relations with the Liberty Bank of Chicago; and you are requested to obtain and forward to the Board another statement furnishing this information specifically in the space provided for that purpose on the Board's form 220A."

Approved.

Reply on August 7, 1933, approved by five members of the Board, to a letter dated June 28 from Senator David I. Walsh; the reply reading as follows:

" Permit me to acknowledge receipt of your letter of June 28, 1933, addressed to Honorable Eugene R. Black, Governor of the Federal Reserve Board, in which you inclosed a letter to you from Mr. Marcus N. Wright, Cashier of The First National Bank, Gardner, Massachusetts. In his letter, Mr. Wright submits the question whether cooperative banks in Massachusetts are "mutual savings banks" within the meaning of section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, which excepts from the prohibition against payment of interest on deposits payable on demand deposits made by a "mutual savings bank".

"The Federal Reserve Board has communicated with the Federal Reserve Bank of Boston with respect to this matter, and it appears that cooperative banks in Massachusetts are incorporated under Chapter 170 of the General Laws of Massachusetts, as amended by Chapter 144 of the Acts of 1933. Under the provisions of the Massachusetts statutes, such an institution may be incorporated for the declared purpose of accumulating the savings of its members and loaning such accumulations to them, and such institutions appear to be organized for the primary purpose of making loans to aid in home construction. Capital is obtained by issuing in series either paid-up shares, or unmatured shares for which payment is made in fixed periodical installments. Under the law, the accumulated funds in any such institution may be loaned in limited amounts to applicant members on the security of real estate or unpledged shares, or may be invested in the manner prescribed by law. Net profits, less certain reserves, are distributed annually, semi-annually, or quarterly to the shares then existing before the close of business on each day when a new series of shares is issued. It does not appear that such institutions accept deposits of moneys,
or that they are authorized to engage in any of the primary banking functions of deposit, discount, or circulation.

"After careful consideration of the nature of a cooperative bank in Massachusetts, it is the opinion of the Federal Reserve Board that such institutions may not properly be considered 'mutual savings banks' within the meaning of section 19 of the Federal Reserve Act, as amended. Cooperative banks in Massachusetts are engaged primarily in making loans on the security of real estate, and do not accept deposits of money, and it would seem clear that they are not 'savings banks'. On the other hand, they are substantially similar to organizations commonly known as 'building and loan associations', and it would appear that they should be so classified. The fact that the corporate structure of such institutions may be similar to that of a 'mutual savings bank' cannot affect this conclusion, since the question whether an organization is a 'savings bank' ultimately depends upon the kind of business done, and not merely upon the form of corporate structure. Accordingly, since the character of the business actually engaged in by cooperative banks incorporated under the laws of Massachusetts is so distinct from that of a savings bank, it is the opinion of the Board that such institutions cannot be said to be 'mutual savings banks' within the meaning of the Act, and that payment of interest by a member bank on any deposit made by such an institution, which is payable on demand, would be within the prohibition of section 19 of the Federal Reserve Act, as amended.

"Mr. Wright's letter is returned herewith for your files."

Approved.

Reply on August 8, 1933, approved by six members of the Board, to a letter dated July 14 from Messrs. Shearman & Sterling, New York City, New York; the reply reading as follows:

"Reference is made to your letter of July 14, 1933, with inclosures, with respect to the question whether the Philippine Islands and Puerto Rico may be regarded as foreign countries within the meaning of section 19 of the Federal Reserve Act, as amended by Section 11(b) of the Banking Act of 1933, which forbids a member bank to pay interest on any deposit payable on demand, with certain exceptions including 'any deposit of such bank which is payable only at an office thereof located in a foreign country.' You also state that you would like to be advised of any ruling that the Board may make with respect to the status of the Canal Zone in this connection.

"The Federal Reserve Board has given this matter careful consideration and, in view of the decisions of the courts with reference to the status of the territories in question, is of the opinion that none of them may properly be regarded as a foreign country within the meaning of the statute referred to and, accordingly, the prohibition of section 19 of the Federal Reserve Act upon the payment of interest by a member bank on deposits payable on demand, with the exceptions therein stated, applies to deposits payable at an office of such bank located in Puerto Rico."

Approved.

Reply on August 8, 1933, approved by six members of the Board, to a letter dated July 14 from Messrs. Shearman & Sterling, New York City, New York; the reply reading as follows:

"Reference is made to your letter of July 14, 1933, with inclosures, with respect to the question whether the Philippine Islands and Puerto Rico may be regarded as foreign countries within the meaning of section 19 of the Federal Reserve Act, as amended by Section 11(b) of the Banking Act of 1933, which forbids a member bank to pay interest on any deposit payable on demand, with certain exceptions including 'any deposit of such bank which is payable only at an office thereof located in a foreign country.' You also state that you would like to be advised of any ruling that the Board may make with respect to the status of the Canal Zone in this connection.

"The Federal Reserve Board has given this matter careful consideration and, in view of the decisions of the courts with reference to the status of the territories in question, is of the opinion that none of them may properly be regarded as a foreign country within the meaning of the statute referred to and, accordingly, the prohibition of section 19 of the Federal Reserve Act upon the payment of interest by a member bank on deposits payable on demand, with the exceptions therein stated, applies to deposits payable at an office of such bank located in Puerto Rico."

Approved.
"Rico, the Philippine Islands or the Canal Zone."

Approved, together with a letter dated August 8, 1933, to Mr. E. F. Smith, Vice President of The Chase National Bank, New York City, New York, also approved by six members of the Board, in response to a similar inquiry with regard to the Canal Zone.

Governor Black stated that Governor Harrison, Chairman of the Federal Open Market Committee, advised him over the telephone yesterday that the Executive Committee of the Federal Open Market Committee will purchase $10,000,000 of Government securities during the statement week ending today.

Governor Harrison also stated, Governor Black reported, that Governor Norman of the Bank of England had advised that he anticipates visiting Newfoundland in the near future and will return by way of New York when he will call on Governor Harrison. Governor Black stated that Governor Harrison had invited him to come to New York to meet Governor Norman, whose visit will be a social one during which no official matters will be discussed.

Governor Black stated that, feeling considerably disturbed over recent events in Cuba, he had discussed the situation over the telephone with Mr. Newton, Federal Reserve Agent and Acting Governor Johns of the Federal Reserve Bank of Atlanta who had advised that Mr. Frazer, Manager of the Havana Agency, has had three additional guards stationed inside the Agency office, and that the door of the Agency and its vault are being kept locked during the disturbed situation in Havana. Governor Black also stated that he had discussed the Cuban situation with the Assistant Secretary of State Phillips, and had requested him to cable Ambassador Welles to keep a watch over the Havana Agency, which Mr. Phillips agreed to do. Governor Black also added that the last reports received by him from Havana indicate that the situation is quiet at the present time, and that he felt the Federal Reserve Bank of Atlanta had taken what steps it could to protect the funds held by the
Governor Black stated that he had had some negotiations with regard to a selection of a person to succeed Mr. McClelland as Assistant to the Governor and that he had discussed the matter informally with Mr. H. Warner Martin, President of the Trust Company of Georgia, Atlanta, Georgia, who, after some consideration, had advised that he would be willing to accept the position. Governor Black recommended that Mr. Martin be appointed Assistant to the Governor with salary at the rate of $12,000 per annum, and with the understanding that if and when Governor Black leaves the office of Governor, the continuation of Mr. Martin in the position of Assistant to the Governor will be within the discretion of the Federal Reserve Board.

In accordance with Governor Black's recommendation, Mr. Martin was appointed Assistant to the Governor, with salary at the rate of $12,000 per annum, effective as of the date upon which he assumes his duties.

Governor Black also stated that he had discussed with the Comptroller of the Currency the question of allowing banks some additional time in which to file reports of their affiliates, and Mr. O'Connor stated that, since his office has asked for an opinion from the Attorney General on certain questions relative to the publication of reports of affiliates of national banks, he felt that it would be desirable to allow member banks an additional period in which to file reports of affiliates, and that he proposed to allow national banks to and including September 16, 1933, to file such reports.

After discussion, the Secretary was requested to advise the Federal reserve banks for the information of the member banks that the Federal Reserve Board has extended to September 16, 1933, the time within which State member banks may file reports of their affiliates.
At this point Mr. Goldenweiser, Director of the Division of Research and Statistics, and Mr. Walter R. Gardner of that division, joined the meeting. Mr. Gardner, who had served as a member of the staff of the American delegation to the Monetary and Economic Conference in London, reported in some detail on the various activities of the Conference.

Report of Standing Committee dated August 7, 1933, recommending approval of the following changes in stock at Federal reserve banks; the recommendation having been approved by four members of the Board on August 7:

**Applications for ADDITIONAL Stock:**

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<thead>
<tr>
<th>District No. 1</th>
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<tbody>
<tr>
<td>Day Trust Company, Boston, Mass. (Increase in surplus)</td>
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<th>District No. 7</th>
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<td>Farmers State Bank, Belvidere, Ill. (Increase in surplus)</td>
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<tr>
<td>W. B. Worthen Company, Bankers, Little Rock, Ark. (Increase in capital, partly offset by decrease in surplus)</td>
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<tr>
<td>Lemay Ferry Bank, Luxemburg, Mo. (Increase in capital, partly offset by decrease in surplus)</td>
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<tr>
<td>North St. Louis Trust Co., St. Louis, Mo. (Increase in capital, partly offset by decrease in surplus)</td>
<td>36</td>
<td>84</td>
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**Total** | 102 |

Approved.

Reports of Standing Committee dated August 5, 7, 8, and 9, 1933, recommending approval of the following changes in stock at Federal reserve banks:

**Applications for ORIGINAL Stock:**

<table>
<thead>
<tr>
<th>District No. 1</th>
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<tr>
<td>National White River Bank in Bethel, Vermont.</td>
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<th>District No. 2</th>
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<td>Otageo County National Bank, Cherry Valley, N. Y.</td>
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### Applications for ORIGINAL Stock: (Cont'd)

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<td>5</td>
<td>Frederick County National Bank, Frederick, Md.</td>
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<td>10</td>
<td>First National Bank in Frederick, Oklahoma.</td>
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**Total:** 237

### Applications for ADDITIONAL Stock:

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<th>District No.</th>
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<th>Shares</th>
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<tbody>
<tr>
<td>3</td>
<td>Union National Bank, Jersey Shore, Pa.</td>
<td>30</td>
</tr>
<tr>
<td>4</td>
<td>Peoples National Bank, Tarentum, Pa.</td>
<td>15</td>
</tr>
<tr>
<td>8</td>
<td>First-Cannelton National Bank, Cannelton, Ind.</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>First National Bank, Winslow, Ind.</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>First National Bank, Clayton, Mo.</td>
<td>79</td>
</tr>
</tbody>
</table>

### Applications for SURRENDER of Stock:

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name and Location</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Crawford County Trust Company, Meadville, Pa.</td>
<td>30</td>
</tr>
<tr>
<td>8</td>
<td>Cass Bank &amp; Trust Company, St. Louis, Mo.</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>St. Clair National Bank, Belleville, Ill.</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>American Exchange National Bank, St. Louis, Mo.</td>
<td>210</td>
</tr>
<tr>
<td>10</td>
<td>Western National Bank, Pueblo, Colo.</td>
<td>15</td>
</tr>
</tbody>
</table>

**Total:** 236
Applications for SURRENDER of Stock: (Cont'd)

District No. 11.
Trinity National Bank, Trinity, Texas. (V.L.Suc. by
First National Bank of Trinity)

<table>
<thead>
<tr>
<th>Shares</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>39</td>
<td>384</td>
</tr>
</tbody>
</table>

Approved.

Thereupon the meeting adjourned.

Approved:

E. R. Black
Governor.

Secretary.