

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, August 21, 1933, at 12:45 p.m.

PRESENT: Mr. James  
Mr. Thomas  
Mr. Szymczak

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary.

The Committee considered and acted upon the following matters:

Letters dated August 10 and 17, 1933, from Mr. Roelse, Assistant Secretary of the Federal Reserve Bank of New York, and telegrams dated August 10, 1933, from Mr. Lassiter, Class C director of the Federal Reserve Bank of Richmond, Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, and Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, August 16, 1933, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and August 17, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated August 10, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Mr. E. L. Brien, Jr., and his designation as an assistant Federal reserve examiner, with salary at the rate of \$3,900 per annum; the recommendation having been approved by four members of the Board on August 16, 1933.

Mr. Brien 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

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the rate of \$3,900 per annum, all effective as of the date upon which he enters upon the performance of his duties.

Memorandum dated August 14, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Mr. Joseph H. Porter and his designation as an assistant Federal reserve examiner, with salary at the rate of \$3,600 per annum; the recommendation having been approved by six members of the Board on August 19, 1933.

Mr. Porter 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 \$3,600 per annum, all effective as of the date upon which he enters upon the performance of his duties.

Memorandum dated August 10, 1933, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Lucile Erway as a stenographer in the division for a probational period of three months beginning August 15 with salary at the rate of \$1,560 per annum; the recommendation having been approved by four members of the Board on August 12, 1933.

Approved.

Memorandum dated August 11, 1933, from Mr. Morrill recommending the appointment of Mr. L. P. Bethea, as Assistant Secretary of the Federal Reserve Board, with salary at the rate of \$6,750 per annum, effective August 22, 1933; the recommendation having been approved by five members of the Board on August 16.

Approved.

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Memorandum dated August 18, 1933, from Mr. Morrill stating that, at the request of Mr. Martin, Assistant to the Governor, and with the approval of Governor Black, it is recommended that Miss Gladys I. Welch, be appointed Secretary to Mr. Martin, with salary at the rate of \$2,300 per annum, effective as of the date upon which she enters upon her duties; it being understood that Miss Welch is expected to serve only for the period of Mr. Martin's service as Assistant to the Governor.

Approved.

Letter dated August 16, 1933, to Mr. Gilbert, Deputy Governor of the Federal Reserve Bank of New York, approved by six members of the Board, stating that, in accordance with the recommendation contained in his letter of August 7, the Board approves changes in the bank's personnel classification plan to provide for increases in the salary ranges of five positions in the service division of the building operating department of the bank; the changes being necessary to comply with a provision of the President's reemployment agreement.

Approved.

Letter dated August 16, 1933, to Mr. Walden, Controller of the Federal Reserve Bank of Richmond, approved by six members of the Board, stating that, in accordance with the recommendation contained in his letter of August 2, the Board approves changes in the bank's personnel classification plan to provide for the establishment of nine new positions in the accounting and planning, Reconstruction Finance Corporation custodian and suspended banks departments of the head office of the bank and one new position in the collection department of the Charlotte branch, the discon-



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tinuance of two positions in the accounting and planning department of the head office, and an increase in the salary range of the position of "custodian" in the securities department of the Baltimore branch.

Approved.

Telegraphic reply on August 12, 1933, approved by three members of the Board, to a telegram dated August 11 from Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, stating that, at a meeting of the board of directors on that date, the salaries of officers and employees of the bank and its branches and agencies were restored, effective August 1, 1933, to the schedule prevailing on December 31, 1932, and requesting advice as to whether this action meets with the approval of the Board. The reply stated that the Board approves the salary adjustments involved in the action of the board of directors in eliminating the deductions from the basic rates of compensation of officers and employees of the bank which had been in effect prior to August 1; that the reduction in Mr. Newton's basic salary which was made effective on January 1, 1933, is discontinued as of August 1, 1933; and that no change is being made in the salary of Assistant Federal Reserve Agent Clark, which was fixed at the rate of \$7,500 per annum without reference to salary reduction.

Approved.

Reply on August 16, 1933, approved by six members of the Board, to a letter dated August 10 from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, in regard to the adoption by the bank of the amended employment agreement proposed by the administrative committee of the American Bankers' Association. The reply referred to the chairman's state-



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ment that in complying with the code, it would be necessary to discharge ten pages and to employ ten additional clerks and one fireman, and stated that the Board would like to have for its records a statement showing the reasons for discharging the ten pages.

Approved.

Telegraphic reply on August 11, 1933, approved by four members of the Board, to a letter dated August 5 from Mr. Walsh, Federal Reserve Agent at Dallas, with regard to questions arising in connection with the application of the President's reemployment agreement, recently signed by the bank, to the compensation and hours of service of part time employees in the bank's dining room, the field representatives assigned to the collection of paper held from suspended banks, and field men in the member bank relations department. The reply stated that the Board believes that the views expressed by the agent as to the compensation and hours of service of the respective classes of employees referred to are in accord with the President's reemployment agreement, as amended by the administrative committee of the American Bankers' Association.

Approved.

Bond in the amount of \$50,000, executed on August 8, 1933, by Mr. Zell G. Fenner as Acting Assistant Federal Reserve Agent at Philadelphia; the bond having been approved by five members of the Board on August 16, 1933.

Approved.

Letter dated August 16, 1933, to the board of directors of The Knox County Savings Bank, Mt. Vernon, Ohio, approved by six members of the

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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 Cleveland 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.

Reply on August 16, 1933, approved by six members of the Board, to a letter dated July 31 from Mr. Curtiss, Federal Reserve Agent at Boston, stating that the Hartford-Connecticut Trust Company, Hartford, Connecticut, has again requested that its application for membership in the Federal Reserve System, now pending before the Board, be held in abeyance until arrangements can be completed regarding the banks owned by the trust company's affiliate. The reply stated that, in accordance with the bank's request and the agent's recommendation, the Board will take no action on the application, but that, in view of the time which has elapsed since the last examination, it is suggested that the agent request the bank to file a new application upon completion of the contemplated arrangements, and that, upon the agent's favorable recommendation, the Board will be glad to consider such a new application supported by a current report of examination, which should include a report of the trust department. The reply also stated that, in determining what disposition is to be made of the banks controlled by the Hartford-Connecticut Company, most of which are national banks, it is assumed that the trust company has taken into consideration the provisions of the Banking Act of 1933 that pertain to holding company

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affiliates, but that it might be well for the agent to call attention to these provisions with particular reference to the requirements regarding the necessity for a holding company affiliate of a national bank to obtain a voting permit before voting stock it holds in the national bank.

Approved.

Letter dated August 10, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by four members of the Board, referring to the applications of the Watkins State Bank, Watkins Glen, New York, and the Bank of Elmira Heights, New York, for membership in the Federal Reserve System. The letter stated that it has been noted that a majority of the shares of the capital stock of each of the banks is owned by the First National of Elmira Corporation, Elmira, New York, and that if the banks are admitted to membership in the Federal Reserve System, it will be necessary for the First National of Elmira Corporation to agree to accept the same conditions and limitations as are applicable under section 5144 of the Revised Statutes of the United States, as amended, in the case of holding company affiliates of national banks, and to obtain from the Board a voting permit as required by the provisions of section 9 of the Federal Reserve Act and 5144 of the Revised Statutes, as amended by the Banking Act of 1933. The letter also stated that in acting upon an application for such a voting permit, the Board is required under the law, among other things, to consider the financial condition of the applicant holding company affiliate, the general character of its management and the probable effect of the granting of such permit upon the affairs of the member bank; that the Board does not, at this time, have sufficient information with



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regard to the First National of Elmira Corporation to determine whether or not it should be granted a voting permit; and that it does not feel that it should act upon the applications for membership of the Watkins State Bank and the Bank of Elmira Heights until it is also in a position to determine whether it can properly grant a voting permit to the holding company affiliate of these banks, the First National of Elmira Corporation. The letter inclosed mimeographed copies of the regulations and appropriate forms with regard to the issuance of voting permits to holding company affiliates; requested that the agent advise the applicant banks that the Board will defer action upon their applications for membership and that copies of the regulations and forms relative to voting permits of holding company affiliates will be furnished to the banks as soon as practicable in order that the First National of Elmira Corporation may take appropriate action preparatory to its application for a voting permit; and stated that the Board will consider the applications for membership when an application for a voting permit has been received from the First National of Elmira Corporation and the Board has given favorable consideration to such an application, and that it is essential that the voting permit be applied for as soon as possible after receipt of the Board's regulations in order to obviate the necessity of any further examinations of the banks applying for membership, since it is important that the information regarding such condition of the banks be current. The letter also inclosed copies of memoranda prepared by the Board's Division of Examinations outlining the unfavorable features of the condition of the banks referred to, and suggested that the agent point out to the institutions the undesirable features of their con-

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dition, as reflected in the reports of examination, with the request that in the interim they make every effort to effect correction of or a material improvement in the matters of criticism, advising the Board at the time of the submission of the holding company's application for a voting permit what progress has been made in this direction.

Approved.

Telegraphic reply on August 11, 1933, approved by four members of the Board, to a telegram dated August 2 from Mr. Newton, Federal Reserve Agent at Atlanta, stating that the Central Farmers Trust Company, West Palm Beach, Florida, is now ready to comply with the conditions of membership prescribed in the Board's telegram of April 3, 1933, and recommending that the Board grant a further extension of the time within which the institution may comply with the conditions of membership. The reply stated that the Board grants an extension until August 31, 1933, of the time within which the trust company may accept the conditions of membership prescribed for it and its admission to membership in the System may be accomplished.

Approved.

Reply on August 14, 1933, approved by four members of the Board, to a letter dated June 28 from Mr. Stevens, Federal Reserve Agent at Chicago, forwarding an application of the Farmers State Bank, Chadwick, Illinois, for membership in the Federal Reserve System. The reply noted that the bank had obtained agreements from the depositors whereby 25% of their deposits were assigned to the bank and used to eliminate criticized assets; that the bank delivered to each depositor making such assignment a deferred certificate of deposit to be retired out of the earnings of the bank; and that the

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certificates have priority over the claims of stockholders upon liquidation of the bank. The reply stated that, in the circumstances referred to, the Board would not be justified in approving the application of the bank for membership at this time, and that the Board feels that the application should be deferred until the bank is released from the liability for payment of deferred deposits or the impairment in its capital is otherwise eliminated and provision is made for the payment of such deferred deposits, the general character of its assets has been improved materially, and, since the restrictions on the withdrawal of 75% of the deposits have been removed only recently, the public's reaction toward the institution and the possibility for successful operation can be determined more definitely. The reply also requested that the agent communicate with the bank and suggest the withdrawal of its application from further consideration at this time, and stated that, if at a later time the agent feels that the Board would be justified in considering the matter again, there should be a new application and a new examination as a basis for his recommendation.

Approved.

Telegraphic reply on August 19, 1933, approved by four members of the Board, to a letter dated August 11 from Mr. McClure, Federal Reserve Agent at Kansas City, recommending approval of a request of the Sylvan State Bank, Sylvan Grove, Kansas, for an extension of time to October 1, 1933, in which to comply with the conditions of membership imposed by the Board in its letter of July 17 advising of approval of the bank's application for membership in the Federal Reserve System. The reply stated that the Board grants the extension requested.



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Approved.

Letter dated August 10, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by four members of the Board, replying to Assistant Federal Reserve Agent Williams' letter of July 28 transmitting a request from Mr. F. Abbot Goodhue, President of the Bank of The Manhattan Company, New York, New York, for a further extension of ninety days from August 30, 1933, of the time in which the Bank of The Manhattan Company may dispose of its holdings of stock in the Corning Trust Company and the North Side State Bank of Corning, New York, and the County Trust Company of White Plains, New York. The reply stated that this request was transmitted to the Board without a recommendation from the agent's office as to the action the Board should take in the matter; that, in this connection, the Board also received Assistant Federal Reserve Agent Dillistin's letter of July 19 transmitting a copy of a letter dated July 17 from Mr. J. Stewart Baker, Chairman of the Bank of The Manhattan Company; that, from the information submitted in the letters of Mr. Baker and Mr. Goodhue, the Board is not in a position to determine whether the Bank of The Manhattan Company has made satisfactory progress in attempting to dispose of its holdings in the stock of the Corning banks; and that, if it is the judgment of the agent's office, after informing itself fully as to the facts, that the institution is making a diligent effort to dispose of its holdings in these banks and that the negotiations are of a character which justify the belief that the Bank of The Manhattan Company could reasonably expect to effect the disposition of the stock without undue delay, the Board is disposed, upon the agent's recommendation, to grant a reasonable further extension of time within

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which the Bank of The Manhattan Company may accomplish such disposition. The reply also referred to the statements contained in Mr. Baker's letter of July 17 that no progress has been made in disposing of the stock of the County Trust Company of White Plains, that the bank can find no one who has the money or desire to purchase this stock, and that the bank feels that it is handicapped by the fact that it cannot let it be generally known that disposition of the stock of the County Trust Company is being considered because to do so might be misinterpreted and bring disaster not only to that bank but to other institutions, and to Mr. Baker's request for advice as to what should be done in the circumstances, and stated that the Board cannot undertake to advise the Bank of The Manhattan Company as to the procedure which it should follow in complying with the conditions of membership, but that the bank should endeavor in every way possible to dispose of its stock in the County Trust Company, keeping the agent's office advised as to the progress made, and that, after the agent has reviewed the situation carefully, the Board desires his recommendation also regarding the advisability of an extension of time for the disposition of the stock in the County Trust Company.

Approved.

Letter dated August 11, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by four members of the Board, referring to the analysis of report of examination as of April 15, 1933, of the Continental Bank & Trust Company, New York, New York, inclosed with Assistant Federal Reserve Agent Dillistin's letter of July 20, and requesting that the agent advise the bank that the Board will expect it to dispose of the shares of

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its own stock held in its assets at the earliest opportunity, and that he advise the Board of the action taken by the bank in connection with the elimination of the estimated losses shown in the report of examination.

Approved.

Letter dated August 11, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by four members of the Board, referring to the analysis of the report of a joint examination as of June 7, 1933, of the Security Trust Company, Lexington, Kentucky, and requesting additional information with regard to the company's investment in corporate stocks and its possible liability for losses on loans made through its trust department with insufficient collateral.

Approved.

Letter dated August 16, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by six members of the Board, replying to Assistant Federal Reserve Agent Fletcher's letter of August 5 relative to the examination of the Peoples-Pittsburgh Trust Company, Pittsburgh, Pennsylvania, which was made jointly by the State banking authorities and a representative of the agent's examining staff as of April 29, 1933. The reply observed that the report of the examination has been completed, but that the executive committee of the Federal reserve bank desires to defer the submission to the Board of the analysis thereof until after a conference which is to be held between the member institution, the State banking authorities and representatives of the Federal reserve bank for the purpose of reconciling certain adjustments in the figures contained in such report of examination, which conference, it appears, cannot be held until the



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latter part of August or the first of September of the current year, and stated that, in the circumstances, the Board is willing to await the receipt of the analysis of the report of examination until the conference referred to has been completed. The reply also stated that, in view of the large surplus impairment as originally shown by the State bank examiner in his report of examination before reclassification of the depreciation by the State banking authorities, it will be appreciated if, following the conference, the agent will advise the Board fully as to the condition of the bank, the results of the conference and any corrections made.

Approved.

Letter dated August 11, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by four members of the Board, replying to Assistant Federal Reserve Agent Fletcher's letter of August 7 regarding the assumption by the Beaver County Trust Company, New Brighton, Pennsylvania, a State member bank, of the responsibility of liquidating the trust department of the Federal Title and Trust Company, Beaver Falls, Pennsylvania, a nonmember bank which had been closed by the State Banking Department. The reply stated that, from the information submitted, it appears that the Beaver County Trust Company is conducting the liquidation under court order and has assumed no liability other than for the faithful administration of the trusts; that under these conditions the transaction is not one which requires the approval of the Board; and that the Board, therefore, will take no action in the matter.

Approved.

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Letter dated August 16, 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 August 5 with regard to the Wheaton Trust & Savings Bank, Wheaton, Illinois, which has not yet restored its capital to \$100,000 following the unauthorized reduction to \$50,000 on July 27, 1932. The reply noted that, after giving careful consideration to the matter, the officers and executive committee of the Federal Reserve Bank of Chicago are preparing to recommend to the board of directors of the Chicago bank that the Wheaton Trust & Savings Bank be given an additional six months in which to increase its capital to the minimum amount of \$100,000 and that the Board's views as to the proposed recommendation are requested, and stated that for more than a year the Wheaton Trust & Savings Bank has not complied with the capital requirements of the Federal Reserve Act; that such a situation cannot continue indefinitely; that the Board cannot undertake to pass upon such questions without a definite recommendation of the Federal reserve agent and the directors of the reserve bank; and that the Board would not be disposed to consider favorably any recommendation which would not require the bank to restore its capital to the required amount by the end of the current year at the latest.

Approved.

Reply on August 14, 1933, approved by four members of the Board, to a letter dated July 10 from Mr. Walsh, Federal Reserve Agent at Dallas, relative to the absorption on January 21, 1933, of the First State Bank, Copperas Cove, Texas, a member bank, by the First State Bank of Killeen, Texas, also a member institution. The reply stated that the Board has

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reviewed the information submitted, from which it appears that the transaction has resulted in no material change in the general character of the assets of, or broadening in the scope of the functions exercised by, the First State Bank of Killeen, within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System, and that the Board, therefore, will take no action affecting the membership of the bank by reason of the transaction.

Approved.

Letter dated August 17, 1933, to Mr. Walsh, Federal Reserve Agent at Dallas, approved by six members of the Board, referring to the transaction whereby the First State Bank, Matador, Texas, a member bank, acquired assets from, and assumed the liabilities, except those to stockholders, of the First State Bank, Roaring Springs, Texas, also a member institution, effective as of April 26, 1933. The letter stated that the Board has reviewed the condition of the First State Bank of Matador as reflected in the analysis of the report of examination as of July 5, 1933, and has also noted the information submitted with the agent's letter of July 15, 1933, from which it appears that the transaction has resulted in no material change in the general character of the assets of, or broadening in the scope of the functions exercised by, the Matador member institution within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System, and that, in these circumstances and in view of the agent's recommendation, the Board will take no action affecting the membership of the First State Bank of Matador in the Federal Reserve System by reason of the transaction.



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Approved.

Letter dated August 11, 1933, to Mr. Austin, Federal Reserve Agent at Philadelphia, approved by four members of the Board, and reading as follows:

"The Board has requested me, in addition to my letter of August 5 in regard to the Board's position that the Berks County Trust Company of Reading, Pennsylvania, has not been a member of the Federal Reserve System at any time, to write you a letter regarding certain aspects of the relations of the Federal Reserve Bank of Philadelphia with the Berks County Trust Company since July 1, 1932, to which reference was made in remarks of the representatives of the trust company during their meeting with the Federal Reserve Board on Thursday, August 3.

"It appeared from the statements of the representatives of the Berks County Trust Company that paper had been discounted for the new trust company in amounts aggregating in excess of the unpaid balance of the indebtedness of the old trust company at the time when its liabilities were taken over by the new trust company; in other words, that advancements of new money had been made to the new trust company since July 1, 1932. It is beyond the legal authority of any Federal reserve bank to discount paper for a nonmember banking institution, even though such institution may have pending an application for stock in the Federal reserve bank and for membership in the Federal Reserve System based thereon, until such application shall have been approved by the Federal Reserve Board and the bank admitted to membership, except that under the Act of March 24, 1933, loans may be made to nonmember State banks and trust companies upon compliance with all the provisions of that Act. The fact that the State Banking Department may have been misinformed as to the legal status of the bank and declined to grant the approval contemplated by the Act of March 24, 1933, is not a justification for advances by the Federal reserve bank as if the applicant were a member bank. The Banking Department of the State of Pennsylvania should have been informed by the Federal Reserve Agent as to the true status of the matter.

"While, as stated above, advancements of new money can not be made to a State bank or trust company by way of discounts as if it were a member bank, when it does not have the legal status, this fact, as stated in my letter of August 5, does not prevent a Federal reserve bank from renewing outstanding discounts, accepting substitutions thereof, and otherwise dealing with the situation in such manner as best to protect the interests of both the debtor bank and the Federal reserve bank as a means of working out the liquidation of such indebtedness to the best ad-

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"vantage.

"Likewise, as indicated in my letter of August 5, the Federal reserve bank may accord to a State bank or trust company such privileges as are properly incident to the establishment and maintenance of a nonmember clearing account under the authority of section 13 of the Federal Reserve Act upon compliance with the requirements of that section and such conditions as the Federal reserve bank may deem it advisable to impose in addition thereto.

"It also appeared from statements of the representatives of the Berks County Trust Company that at the request of the Federal Reserve Bank of Philadelphia they indorsed back to the Federal reserve bank the certificate for the shares of stock of the Federal reserve bank which the old trust company had held prior to the commencement of business of the new trust company, but that the Federal Reserve Bank of Philadelphia has paid dividends at the regular rate upon such stock to the new trust company without interruption down to the present time, notwithstanding the fact that there had been filed with the Federal Reserve Agent at Philadelphia on behalf of the new trust company an application for stock and for membership in the Federal Reserve System upon which the Federal Reserve Board has not taken favorable action. The representatives of the Berks County Trust Company apparently felt that the payment of such dividends on the stock issued to the former trust company definitely indicated that the new trust company is a member of the Federal Reserve System. This, as you know, is not the case, although in view of the consolidation of the Colonial-Northeastern Trust Company and the Berks County Trust Company, the consolidated institution may be entitled to the proceeds of such stock upon its cancellation. Under the provisions of the Board's Regulation I, if in the case of the liquidation or insolvency of a member bank the Federal Reserve Agent is unable to obtain an application for the cancellation of Federal reserve bank stock held by such bank within six months after the date the bank is placed in liquidation or in the hands of a receiver, he is required to report the facts to the Board with a recommendation as to the action to be taken with regard to the cancellation of the stock. In the present case it was your duty to take such action within six months after the membership of the Berks County Trust Company was terminated by its consolidation with the Colonial-Northeastern Trust Company and the creation of the present Berks County Trust Company.

"It also appeared from the statements of the representatives of the present trust company that they had not been advised of the Board's action as set forth in its letter of May 4, 1933, and they seemed surprised to learn that such a letter had been written. The Board does not understand why, in addition to failing to keep the trust company accurately advised as to its true status pending



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"action upon its application for membership, you failed to advise it if such was the fact as to the action taken by the Board upon its application as set forth in the Board's letter of May 4, 1933, to you, although it appears from the record that conferences and correspondence were being carried on more or less frequently with the bank and that, as evidenced by Mr. Hill's memorandum of a conference which he had following his visit to Washington in April, he understood the attitude of the Division of Examinations of the Federal Reserve Board and the fact that the bank did not have the status of a member. In this connection, it may be noted that at an earlier date, your letter of October 26, 1932, contained the following statement:

'Mr. Moore, the President of the trust company, informed us last week that although some adverse comment resulted from the inclusion of the trust company in the August supplement to the July 1932 transit list under 'eliminate from the list', no undue effect is now observable, and deposits are slightly higher than the amount which may be termed 'normal'. We do not think that results unfavorable to the trust company would accrue by reason of a further delay in the consideration of its application.'

"The Federal Reserve Board has also noted that, upon your recommendation, a license to reopen as a member bank was issued by the Secretary of the Treasury to the Berks County Trust Company. It was not proper for the Federal Reserve Agent to make such a recommendation as to the Berks County Trust Company and thereby place the Secretary of the Treasury in the position of issuing a license to a State bank which was not a member of the Federal Reserve System, as that function was delegated by Executive Order to the appropriate State banking authority.

"In view of all the circumstances, the Board requests that you inform the Berks County Trust Company in writing at once definitely and in unequivocal terms that it is not and never has been a member of the Federal Reserve System; that it is not entitled to any of the privileges of membership, as such; and that it can be accorded only such privileges as may lawfully be granted to a nonmember State bank or trust company, as indicated in this letter and my letter of August 5. In addition, the Board requests that if you have not already done so you cancel at once any outstanding stock of the Federal Reserve Bank of Philadelphia growing out of the membership of the old Berks County Trust Company.

"The Board wishes to be advised of your compliance with these requests.

"As stated to you over the telephone by Mr. Paulger on August 3, when he informed you regarding the conference of



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"representatives of the present trust company with the Federal Reserve Board and with his Division, the Berks County Trust Company, if it desires membership in the Federal Reserve System, should file a new application conforming in all respects with the requirements of the Board relative to applications for membership. This must be done before you institute the examination which it is understood you have arranged for beginning August 28, 1933. In this connection, the Chief of the Board's Division of Examinations will arrange to be represented during such examination.

"As soon as possible after the results of the examination have been determined, you should ascertain in the usual manner the views of your board of directors as to the application for admission of this bank to the System and submit the matter to the Federal Reserve Board with your recommendation for consideration in this matter.

"In this connection, it should be clearly understood, both by the Federal Reserve Bank of Philadelphia and the Berks County Trust Company as well as the State Banking Department, that the filing of such application and the making of such examination in no way implies a status of membership in the Federal Reserve System and that it is not to be construed as any commitment on the part of either the Federal Reserve Agent or the Federal Reserve Board as to the action which will be taken finally upon the application for membership."

Approved.

Letter dated August 11, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by four members of the Board, inclosing copies of a letter addressed to the Governor of the Board by the Superintendent of Banks of the State of New York on May 26, 1933, the Board's reply of June 23, 1933, and a letter addressed to the Board by the Deputy Superintendent of Banks of the State of New York on July 20, 1933, together with the attachments thereto, in regard to requirements and procedure in connection with applications of banks in the State of New York for admission to membership in the Federal Reserve System. The Board's letter stated that the Deputy Superintendent of Banks had deleted the names of individuals and institutions contained in the inclosures with his letter and thereby ren-

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dered it impracticable to consider the facts of each case on their merits, and that, in the circumstances, it will be appreciated if the agent will report on each separate case in detail, ascertaining and stating the name of the institution involved and setting forth the history and present status of the matter, together with any views and comments which in the agent's judgment will be helpful to the Board in considering the criticisms made by the State Banking Department.

Approved.

Letter dated August 14, 1933, to the Marion National Bank of Marion, Indiana, approved by five members of the Board, stating that the Board has considered the bank's application for permission to exercise fiduciary powers under the provisions of section 11(k) of the Federal Reserve Act, and authorizes the bank to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Indiana, only in the specific trusts in which The Marion National Bank had been appointed and was acting on the date the Marion National Bank of Marion was authorized to commence business by the Comptroller of the Currency, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The letter also stated that action has been deferred on the bank's application for full fiduciary powers until the institution has been in operation at least one year and a report of examination made subsequent to the expiration of that period has

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been received.

Approved.

Letter dated August 16, 1933, to the board of directors of the First National Bank in Gadsden, Alabama, approved by six members of the Board, stating that the Board has considered the bank's application for permission to exercise fiduciary powers under the provisions of section 11(k) of the Federal Reserve Act, and authorizes the bank to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Alabama, only in the specific trusts in which the First National Bank of Gadsden had been appointed and was acting on the date the First National Bank in Gadsden was authorized to commence business by the Comptroller of the Currency, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The letter also stated that action has been deferred upon the bank's application for full fiduciary powers until the institution has been in operation at least one year and a report of examination made subsequent to the expiration of that period has been received.

Approved.

Reply on August 17, 1933, approved by four members of the Board, to a letter dated July 24 from Mr. McClure, Federal Reserve Agent at Kansas City, forwarding the application of the National Bank of Tulsa, Oklahoma, for permission to act in all fiduciary capacities authorized under section 11(k) of the Federal Reserve Act. The reply stated that the Board



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has considered the bank's application for full trust powers, and that, in view of the fact that no examination has been made of the institution since its organization, and that further information is desired as to the condition of the applicant bank and of the trust department of the Exchange National Bank and Exchange Trust Company, the Board has deferred action upon the application until after an examination of the institution has been made. The reply also stated that this matter has been discussed with the office of the Comptroller of the Currency, which has advised that an examination of the national bank will be made in the near future, at which time the trust departments of the Exchange National Bank and the Exchange Trust Company will also be examined, and that, upon receipt of the reports of examination of these institutions, it will be appreciated if the agent will transmit to the Board analyses thereof, together with his recommendation in the premises.

Approved.

Letter dated August 12, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by three members of the Board, stating that on August 2, 1933, the Board granted permission to the Mercantile National Bank at Dallas, Texas, to exercise trust powers only in the specific trusts in which the Mercantile Bank and Trust Company had been appointed and was acting on the date of its conversion into such national bank and which were approved by the Federal Reserve Agent at the Federal Reserve Bank of Dallas for the purpose of being taken over by the Mercantile National Bank, and that the Board's permission was made effective only if and when the national bank was authorized by the office of the Comptroller of the Currency to commence business without having acquired any stocks of any other corporation, either as charged off assets or otherwise, which a national bank is not authorized

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under the law to purchase. The letter also stated that the president of the Mercantile National Bank has advised that when the State bank was converted into the national bank, certain stocks which a national bank is not authorized under the law to purchase were taken into the national bank; that the president of the bank states that such stocks could not properly be eliminated under the plan of conversion of the State institution in view of the conditions prescribed by the Comptroller's office as a basis for its approval of the application to convert; that the Board has been requested to reconsider its action on the application made on behalf of the national bank for trust powers and to eliminate the condition above referred to; and that, before the Board takes any action on this request, it will be appreciated if the Comptroller will advise the Board of his views in the matter.

Approved.

Letter dated August 12, 1933, to Mr. Claude Smallwood, Cashier of The First National Bank of Pleasanton, California, approved by four members of the Board, referring to the resolution adopted by the board of directors of the bank signifying the desire of the bank to surrender its right to exercise trust powers, and stating that, according to the records of the Board, the only trust power granted to the bank, under the provisions of section 11(k) of the Federal Reserve Act, was that of registrar of stocks and bonds; that the Board understands that the national bank has never exercised the right to act as registrar of stocks and bonds and that it has not assumed any duties in this capacity; and that the Board, therefore, has issued a formal certificate to the national bank, certifying that it is no longer authorized to act as registrar of stocks and bonds or to exercise any

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of the other fiduciary powers granted by the provisions of section 11(k) of the Federal Reserve Act, which certificate was inclosed with the letter. The letter stated further that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the trust powers granted by section 11(k) of the Federal Reserve Act except with the permission of the Board.

Approved.

Letter dated August 11, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of July 17 recommending approval of a reduction in the capital stock of the First National Bank of Albion, Pennsylvania, from \$50,000 to \$25,000 in accordance with a plan of reorganization which provides for the surrender of the present capital stock of \$50,000 and the resale of \$25,000 par value of such surrendered stock for \$30,000, the premium of \$5,000 to be credited to surplus; the sale of \$25,000 of 3% cumulative preferred stock at par; and a waiver by creditors of 40% of their net unsecured claims; the released capital of \$50,000, together with the bank's present surplus and undivided profits amounting to \$35,697.38, and funds in the amount of approximately \$194,922.84 made available by the waivers of 40% of the net claims of unsecured creditors, to be used to eliminate criticized assets in the amount of approximately \$280,620.22, the eliminated assets in the form of unacceptable



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loans, other real estate, lower grade bonds, and miscellaneous items, to be trusted for the benefit of waiving creditors. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply; that, in reviewing the plan of reorganization, it is noted that, in the event of the retirement of the preferred stock, the capital of the bank would be reduced below the minimum required by law; and that it is assumed that the Comptroller's office will require that adequate provision be made for the issuance of additional common stock, if and when such preferred stock is retired, so that the minimum required capital will be maintained. The reply also noted that the plan of reorganization does not provide for the elimination of the bank's liability for borrowed money, the total of which will exceed the entire capital structure of the bank after adjustments are effected, but that sufficient funds should be available upon reopening to eliminate this liability, and stated that it is assumed that the Comptroller's office will require that this liability be eliminated, either at the time of reopening or immediately thereafter.

Approved.

Letter dated August 16, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, replying to his memorandum of July 19 recommending approval of a reduction in the common capital stock of the First National Bank and Trust Company, Flint, Michigan, from \$400,000 to \$300,000, in accordance with a plan of reorganization which provides for the surrender of the present capital stock of \$400,000 and the resale of \$300,000 par value of such surrendered stock at par, the sale of \$300,000 of 5% cumulative preferred stock to the Reconstruction Finance Corporation, and

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a waiver by creditors of 50% of their net unsecured claims; the released capital of \$400,000, together with the bank's present surplus and undivided profits amounting to \$517,504.38, funds in the amount of approximately \$2,574,204.37 made available by the waivers of 50% of the net claims of unsecured creditors and \$500,000 obtained from the General Mortgage Loan Company, to be used to eliminate criticized assets and depreciation in the amount of approximately \$3,991,708.75, such eliminated assets to be sold to the General Mortgage Loan Company for a consideration of \$500,000 cash and a note of approximately \$2,650,000, such note, together with all interest of the bank in the eliminated assets, to be assigned to trustees for the benefit of the waiving creditors. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply; that, in connection with the proposed waiver of 50% of their claims by the unsecured creditors of the bank and the use of \$100,000 of the funds released by such waiver to provide a surplus in the reorganized bank, it is understood that the common stockholders of the bank will assign all dividends on their stock to trustees for the benefit of waiving creditors until the \$100,000 contributed by them has been fully reimbursed; and that, in these circumstances, and since it is contemplated that at least a substantial portion of the earnings of the bank will be used for the payment of interest and the retirement of preferred stock, it is apparent that for a considerable time the common stock of the bank will yield no dividends to the holders thereof and that for such period it will have little if any value, which may be a handicap to the bank in retaining the confidence of the people in the community. The reply also stated that, in a case such as this where it is contemplated that the depositors will be called upon to

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waive a substantial part of their unsecured deposits, amounting in this instance to 50%, and the stockholders are not being assessed but are merely being required to surrender their stock, notwithstanding that the examiner estimates the liability for assessment as being \$287,344 good out of \$400,000, the Board feels that special consideration should be given to the advisability of requiring that the assessment be made so as to reduce correspondingly the amount which the depositors may be called upon to waive; and that, while it appears that the possibility of an assessment was called to the Comptroller's attention in this particular case by the Chief National Bank Examiner and the Assistant Federal Reserve Agent at Chicago, the suggestion is made because of the fact that the file does not contain any express reference to the reasons why an assessment was not made. The reply also noted that the proposed surplus of the reorganized bank will be less than 20% of its proposed capital, and stated that it is assumed that the Comptroller has given consideration to the question of the desirability of making provision to increase such surplus to an amount equivalent to 20% of the capital of the bank.

Approved.

Telegraphic reply on August 9, 1933, approved by four members of the Board, to a telegram dated August 8 from Mr. Stevens, Federal Reserve Agent at Chicago, with regard to the application of the conservator of the First State Bank, Holland, Michigan, for the cancelation of Federal reserve bank stock. The reply stated that in order to avoid any question as to the right of the Federal reserve bank to cancel such stock, it is suggested that the board of directors of the First State Bank file a notice of intention to withdraw from membership under the provisions of section 9 of



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of the Federal Reserve Act and section VIII of the Board's Regulation H and request the Board to permit the withdrawal immediately, waiving the usual six months' notice. The reply also stated that the conservator must join in such notice of intention to withdraw and request for waiver; and that upon receipt of telegraphic advice that the agent has received such notice and request for waiver in accordance with the provisions of section VIII of Regulation H and that counsel for the Federal reserve bank is satisfied as to the legal aspects of such notice and request for waiver, together with the agent's recommendation, the Board will take action thereon as soon as possible.

Approved.

Letter dated August 16, 1933, to the Federal reserve agents at all Federal reserve banks, approved by six members of the Board, transmitting for their information and guidance, in the event similar cases arise in their respective districts, the information contained in the telegram to the Federal Reserve Agent at Chicago, referred to above, with regard to the cancelation of Federal reserve bank stock held by a member bank in the hands of a conservator, and stating that the procedure outlined should be followed also in connection with applications for cancelation of Federal reserve bank stock made by other State officials acting in a capacity similar to that of conservators, as, for example, a custodian appointed to take charge of the affairs of a State member bank pending the development of a plan of reorganization.

Approved.

Letter dated August 16, 1933, to the Federal reserve agents at all Federal reserve banks, approved by five members of the Board, inclos-

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ing for their information a copy of the letter sent by the Board to the Acting Comptroller of the Currency under date of May 3, 1933, requesting that in any case in which the Comptroller's office desires that the Federal reserve bank stock outstanding in the name of a national bank in conservatorship be canceled, the Board be furnished a statement of the facts in the case substantially in accordance with a form inclosed with the Board's letter to the Acting Comptroller, a copy of which form was attached to the Board's letter to the agents. The letter stated that it is now the Comptroller's practice to furnish the Board a statement in the desired form in each case in which the conservator of a national bank has been authorized by the Comptroller to apply for cancelation of Federal reserve bank stock outstanding in the name of the bank; that the Comptroller's office also advises the Federal reserve agent in the appropriate Federal reserve district of each instance in which the conservator of a bank has been so authorized, and furnishes the Federal reserve agent a copy of the letter of authorization sent to the conservator; and that, accordingly, when the agents have been advised by the Comptroller of the Currency that the conservator of a given national bank has been authorized to apply for cancelation of Federal reserve bank stock, it is suggested that the agents furnish the conservator an appropriate number of copies of Federal Reserve Board Form 87 (Application by receiver of insolvent member bank for surrender of stock), with the word "Receiver" changed to "Conservator". The letter also stated that the application need not be accompanied by a copy of the authorization above referred to, nor of the commission given by the Comptroller to the conservator, and that, if in any case a conservator of a national bank who has not been duly authorized to do so, applies for cancelation of Federal reserve bank stock, it should be suggested that

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he request such authority from the Comptroller.

Approved.

Reply on August 11, 1933, approved by four members of the Board, to a letter dated May 8 from Mr. Young, Secretary of the Federal Reserve Bank of Chicago, advising that the bank has decided to continue insurance under its group policy on the lives of officers and employees who leave its employ because of disability. The reply stated that, after consideration of this matter and correspondence with Mr. E. R. Kenzel, Chairman of the Insurance Committee of the Governors' Conference, on the subject, the Board offers no objection to the continuance of insurance under the group policy on the lives of officers and employees of the bank who leave its employ because of disability, with the understanding, however, that it will be possible under the contract with the insurance company to discontinue the carrying of this insurance on the lives of such officers and employees if and when a pension or retirement plan for officers and employees of Federal reserve banks is put into effect, and that the arrangement will then be reconsidered and readjusted, if this appears desirable, in such manner as may be advisable in the circumstances at that time. The reply also stated that, in this connection, it may be recalled that in the report of the Insurance Committee to the Governors' Conference, November 14, 1932, the question of policy involved in the continuance of insurance covering employees who are retired from disability or old age was discussed and it was pointed out that there was a lack of uniformity among the Federal reserve banks in this connection, and that the Committee concluded that it was disposed to recommend as a general policy against the continuance of insurance following retirement for old age or disability,



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although it recognized that there might be individual cases where circumstances might warrant the continuance of the insurance for a reasonable length of time and pointed out that every employee has the right to convert the policy without medical examination for a period of thirty days following the end of employment. The reply also referred to Mr. Young's statement that representatives of the insurance company have advised that it would be necessary to continue to carry insurance on all employees retired because of disability, and to a letter dated June 6, 1933, from Mr. Kenzel on this subject stating that representatives of the insurance company have suggested a possible liability on the part of the Federal reserve bank for claims which might arise through the death of employees who have resigned or have been discharged as a result of disability; and stated that the Board does not understand the necessity for the continuance of insurance on the lives of all such employees or the basis of a possible liability on the part of the Federal reserve bank in this matter, and that it will be appreciated if Mr. Young will have counsel for the Federal Reserve Bank of Chicago consider these points and furnish, for the information of the Board, a copy of his opinion with respect thereto.

Approved.

Letters dated August 9, 1933, to the governors of all Federal reserve banks, approved by four members of the Board, transmitting, for the consideration of the various Federal reserve banks, a copy of a letter dated August 3 from Mr. Edward H. Foley, Jr., Assistant General Counsel of Federal Emergency Administration of Public Works with which he inclosed a copy of an agreement proposed to be entered into between

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the Federal Emergency Administrator of Public Works and the Federal reserve banks under which the latter would act as depositaries, custodians and fiscal agents for the Administrator in connection with his activities in making loans pursuant to the provisions of the National Industrial Recovery Act. The letters stated that Mr. Foley advises that the questions of procedure involved in the relations of the Federal Emergency Administrator of Public Works with the United States Treasury are now being discussed with that department and that if and when the Federal reserve banks indicate their approval of the proposed agreement, either with or without changes, it is contemplated that the Secretary of the Treasury will be asked to issue a formal request to the Federal reserve banks to act in the capacity covered by the proposed agreement. The letters also stated that if the governors desire to raise any question or to suggest any changes in the proposed agreement, it will be appreciated if they will advise by letter or telegram; that all such questions and suggestions will be assembled and taken up with Mr. Foley for consideration; and that, otherwise, it will be appreciated if the governors will advise as to the willingness of the Federal reserve banks to enter into the agreement as proposed.

Approved.

Reply on August 10, 1933, approved by four members of the Board, to a letter dated June 30 from Mr. Peyton, Federal Reserve Agent at Minneapolis; the reply reading as follows:

"Reference is made to your letter of June 30, 1933, with regard to the eligibility of certain renewed paper as security for Federal reserve notes.

"As the Board understands your inquiry, you wish to be advised whether notes acquired by the Federal reserve bank under the following circumstances are eligible for the purpose mentioned:

"(1) Certain notes were rediscounted for and with the indorsement of a member bank which was subsequently placed in the hands

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"of a conservator. These notes were renewed at maturity, and it is assumed that the renewal notes were indorsed by the conservator in the name of the member bank;

"(2) Advances were made by the Federal reserve bank to a member bank upon its promissory notes, secured by paper eligible for discount, under the eighth paragraph of Section 13 of the Federal Reserve Act. Subsequently, the member bank was placed in the hands of a conservator, and, upon maturity of the principal obligations, new notes made by the conservator were taken by the Federal reserve bank in lieu of the original notes of the member bank.

"After careful consideration of the questions you raise, the Federal Reserve Board is of the opinion that renewal notes of the kinds described in (1) and (2) above should not be used as collateral security for Federal reserve notes under the provisions of Section 16 of the Federal Reserve Act.

"The Board has noted the statement in the third paragraph of your letter that 'these loans are renewed for thirty day periods'. In view of the status of a bank in the hands of a conservator, the question naturally arises whether the Federal Reserve Bank should accept renewals of obligations of such a member bank or should carry the obligations as past due items. In the circumstances, it is suggested that you consult with your counsel with reference to this matter, if you have not already done so."

Approved.

Telegraphic reply on August 10, 1933, approved by four members of the Board, to a telegram dated August 8 from Mr. Nat Rogan, Manager of the Home Owners' Loan Corporation, San Diego, California, inquiring as to whether the Board has authorized member banks to accept Home Owners' Loan Corporation bonds as collateral on the basis of 80% of face value, or on what basis if otherwise. The reply stated that the Board has issued no ruling with specific reference to Home Owners' Loan Corporation bonds; that under the provisions of section 10(b) of the Federal Reserve Act, as amended, any Federal reserve bank may make advances to any member bank in exceptional and exigent circumstances, and upon compliance with the other conditions prescribed in that section, upon security offered by the member bank which is satisfactory to the Federal reserve bank; and that such security may include Home Owners'



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Loan Corporation bonds if owned by the member bank.

Approved.

Telegraphic reply on August 12, 1933, approved by three members of the Board, to a telegram dated August 10 from Mr. Stevens, Chairman of the Federal Reserve Agents' Conference, referring to the Board's telegram of August 4 with regard to a conference of Federal reserve auditors, and stating that he has now heard from all Federal reserve agents of whom eleven approve of the conference and only one questions its necessity at this time; that he, therefore, will proceed to call a conference of Federal reserve auditors to be held in Chicago; that the National Conference of Bank Auditors is to be held September 5 to 7, 1933; and that his suggestion will be that the conference of Federal reserve auditors meet at the Chicago bank on Friday, September 8, 1933. The reply stated that the proposed arrangements for the conference referred to are satisfactory, and that Mr. Paulger, Chief of the Division of Examinations, and possibly Mr. Smead, Chief of the Division of Bank Operations, will arrange to attend.

Approved.

Reply on August 17, 1933, approved by six members of the Board, to a letter dated August 10 from Mr. C. W. House, Manager of the magazine "Trust Companies", New York, New York, requesting a copy of a study and report made by the Federal Reserve Board on the subject of branch banking. The reply stated that the Board has made no such report; that it is possible that Mr. House has in mind a study which was made for the Federal reserve banks and the Federal Reserve Board by an internal committee; and that this report is voluminous, has not been published, and is not available for distribution.

Approved.

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Reply on August 16, 1933, approved by six members of the Board, to a letter dated August 7 from Mr. Downs, Assistant Federal Reserve Agent at New York, inclosing copies of two letters from the Bank of the Manhattan Company, New York, New York, dated July 28 and August 4, 1933, respectively, requesting an extension of ninety days additional time within which the bank may file reports of any organizations which may be affiliates of the bank within the meaning of section 2 of the Banking Act of 1933, where such organizations are not known by the bank to be affiliates, or where the bank cannot legally require the information necessary to ascertain whether they are affiliates, or where the bank cannot legally require the organization to furnish the information needed for the report. The reply stated that, in view of the fact that the Board and the Comptroller of the Currency have extended until September 16, 1933, the time within which all member banks may file with the Comptroller and with the Federal reserve bank, respectively, the reports of their affiliates called for on July 7, 1933, pursuant to the Banking Act of 1933, the Board will take no action at this time on specific requests for further extensions of the time within which individual banks may file the reports of their affiliates; that if the Bank of the Manhattan Company is unable to determine whether certain organizations are its affiliates within the meaning of section 2 of the Banking Act of 1933, it is suggested that the bank furnish a written statement of all the material facts and request a ruling on the question and, if the Federal reserve bank is unable to answer the question, it is suggested that it submit the matter to the Board for a ruling; and that if all the necessary facts are submitted promptly with a request for a ruling, every effort will be made to rule on the question

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in time for the Bank of the Manhattan Company to obtain and furnish reports of its affiliates by September 16, 1933. The reply stated further that the Board does not feel that it can continue indefinitely to extend the time within which member banks may furnish reports of their affiliates disclosing their condition as of June 30, 1933, and that it is suggested that the Bank of the Manhattan Company exert its best efforts to obtain the necessary information at the earliest possible date.

Approved.

Reply on August 10, 1933, approved by four members of the Board, to a letter dated July 19 from Mr. Curtiss, Federal Reserve Agent at Boston, inclosing a letter dated July 18 from Mr. Thomas H. West, Jr., President of the Rhode Island Hospital Trust Company, Providence, Rhode Island, a member bank of the Federal Reserve System, and balance sheets of certain affiliates of the trust company as of June 30, 1933. The reply referred to Mr. West's request for permission not to publish reports of condition of seven affiliates of the trust company, and to the agent's statement that three of these affiliates "appear to be in process of dissolution and four are described as owning property which was acquired in liquidation of commercial loans and as having been formed to localize financial risks involved in the ownership or operation of such property"; and stated that, in view of the fact that the Federal Reserve Act does not require State member banks to publish their own reports of condition, the Board has interpreted the requirement of section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, that the reports of each affiliate "shall be published by the bank under the same conditions as govern its own condition reports" as requiring the publication of reports



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of State member banks only when such publication is required by State law; that the question whether the Rhode Island Hospital Trust Company must publish the reports of the affiliates in question depends upon whether the laws of Rhode Island require the publication of reports of State banks under similar circumstances; and that it is suggested that the agent obtain the views of counsel for the Federal reserve bank on the question. The reply also stated that, regardless of whether or not it is necessary for such reports to be published, it is necessary for the trust company to obtain and furnish to the Federal reserve bank and the Board reports of each of its affiliates in the form prescribed by the Board showing the condition of such affiliates as of June 30, 1933; that the Board has ruled that this requirement is not applicable to affiliates which were formally placed in liquidation prior to June 30, 1933; that the mere fact that an affiliate has discontinued active business or started to wind up its affairs without being formally placed in liquidation or the fact that it has been formally placed in liquidation subsequent to June 30, 1933, is not sufficient to excuse the member bank from obtaining and furnishing the report called for as of that date; and that it does not appear that the Washington Corporation, the Madison Company, or the Ritrust Corporation were formally placed in liquidation prior to June 30, 1933. The reply stated further that the mere fact that an affiliate owns property acquired by a member bank in liquidation of commercial loans or that it was formed to localize certain financial risks does not prevent it from being an affiliate within the meaning of the Banking Act of 1933 or excuse the member bank from the requirement that it obtain reports of such affiliate and furnish them

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to the Federal reserve bank and the Board; and that if the Mount Hope Company, the East Providence Quarries, Inc., the Jefferson Realty Company, and the Edco Company are "affiliates" or "holding company affiliates" of the trust company within the meaning of those terms as defined in sections 2(b) and 2(c) of the Banking Act of 1933, the trust company should obtain and furnish reports of their condition as of June 30, 1933, in the form prescribed by the Board. The reply added that the reports inclosed in the letter from the Rhode Island Hospital Trust Company are not in the form prescribed by the Board, do not contain all of the information called for by the Board, and therefore do not comply with the requirements of the law.

Approved.

Reply on August 9, 1933, approved by four members of the Board, to a letter dated July 25 from the Citizens and Southern Holding Company, Savannah, Georgia, making application to the Board for a permit under authority of section 5144 of the Revised Statutes, as amended, to vote the stock owned by it in the Albany Exchange National Bank, Albany, Georgia, and The LaGrange National Bank, LaGrange, Georgia. The reply stated that section 5144 provides that the Board, in acting upon any such application, 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 each subsidiary member bank, and that, in view of this requirement, the Board is unable to grant a voting permit unless it is furnished with detailed information with respect to the applicant, its subsidiaries, and any affiliates of the applicant or its subsidiaries. The reply also inclosed mimeographed copies of Regula-

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tion P, regarding holding company affiliates, and forms for use in connection with applications for voting permits, and stated that these regulations and forms were approved by the Board on August 4, 1933, and are now being printed; that the Board prefers that no application be filed on the mimeographed forms except in an emergency; that, unless an emergency exists, it is requested that the Citizens and Southern Holding Company withhold its application until printed forms of the regulation and application are available; and that such forms will be furnished to the company as soon as they are ready for distribution.

Approved.

Reports of Standing Committee dated August 9, 10, 11, 14, 16, 17, and 18, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
First National Bank of Belfast, Maine.	144	144
<u>District No. 3.</u>		
First National Bank, Peckville, Pa.	75	75
<u>District No. 7.</u>		
The National Bank of Grand Rapids, Michigan.	600	
American National Bank at Indianapolis, Indiana.	<u>1,920</u>	2,520
<u>District No. 10.</u>		
National Bank of McAlester, McAlester, Oklahoma.	90	
Citizens National Bank in Okmulgee, Oklahoma.	66	
National Bank of Commerce, Altus, Oklahoma.	33	189
	<u>Total</u>	<u>2,928</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 3.</u>		
First National Bank, Carbondale, Pa. (Increase in capital, preferred, partly offset by decrease in surplus)	60	60



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<u>Applications for ADDITIONAL Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 7.</u>		
First National Bank, Homer, Ill. (Increase in surplus)	1	1
<u>District No. 10.</u>		
Omaha National Bank, Omaha, Nebr. (Increase in capital, preferred, partly offset by decrease in surplus)	150	150
<u>District No. 12.</u>		
First American National Bank, Port Townsend, Wash. (Increase in surplus)	3	
Northern California National Bank, Redding, Calif. (Increase in surplus)	1	4
	<u>Total</u>	<u>215</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
Citizens National Bank, New Brunswick, N. J. (Insolvent)	180	180
<u>District No. 3.</u>		
Mount Holly National Bank, Mount Holly, N. J. (Insolvent)	105	105
<u>District No. 4.</u>		
Central United National Bank, Cleveland, Ohio. (Decrease in surplus)	300	300
<u>District No. 5.</u>		
First National Bank and Trust Company, Asheville, N. C. (V.L.Suc. by First National Bank and Trust Company in Asheville)	240	240
<u>District No. 6.</u>		
Trust Company of Georgia, Atlanta, Georgia. (Decrease in surplus)	300	300
<u>District No. 7.</u>		
First National Bank, Farnhamville, Iowa. (Insolvent)	30	
First National Bank, Birmingham, Mich. (Being liquidated through conservator)	240	
First National Bank, Geneseo, Illinois. (Decrease in surplus)	15	
First National Bank, Marion, Indiana. (Being liquidated through conservator)	240	
First Lake County National Bank, Libertyville, Ill. (Being liquidated through conservator)	78	
City National Bank & Trust Co., Niles, Mich. (Being liquidated through conservator)	<u>150</u>	<u>753</u>

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 10.</u>		
First National Bank, Augusta, Kansas. (Insolvent)	63	
Exchange National Bank, Tulsa, Okla. (V.L.Suc. by National Bank of Tulsa)	<u>1,980</u>	2,043
<u>District No. 11.</u>		
First National Bank in Lott, Lott, Texas. (Insolvent)	18	
Farmers National Bank, Dublin, Texas. (V.L.Abs. by Dublin National Bank)	38	
First State Bank, Royse City, Texas. (V.L.Suc. by Citizens State Bank)	<u>45</u>	101
<u>District No. 12.</u>		
First National Trust and Savings Bank, Chico, Calif. (Insolvent)	<u>120</u>	<u>120</u>
	<u>Total</u>	<u>4,142</u>

Approved.

Thereupon the meeting adjourned.

Walter Merrill  
Secretary.

Approved:

Geo. R. James  
Chairman, Executive Committee.