

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Saturday, September 2, 1933, at 11:00 a. m.

PRESENT: Mr. Black, Governor
Mr. James
Mr. Thomas
Mr. Szymczak

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Wingfield, Assistant Counsel
Mr. Chamberlin, Federal Reserve Examiner

The Committee considered and acted upon the following matters:

Letter dated August 31, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, advising that, at a meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated September 1, 1933, from Mr. Morrill requesting authority to employ the necessary painters, each at a salary of \$8.00 per day, for the purpose of painting the office of the Governor.

Approved.

Three letters dated August 31, 1933, to Mr. Helm, Deputy Governor of the Federal Reserve Bank of Kansas City, approved by five members of the Board, stating that, in accordance with the recommendations contained in his letters of August 23 and 26, the Board approves changes in the personnel classification plan of the bank to provide for the new positions of "clerk-typist" in the custody department of the head office, of "guard" in the general service-guards department of the Oklahoma City branch, and of "assistant registered mail clerk" in the general service department of

9/2/33

-2-

the Omaha branch.

Approved.

Letter dated August 30, 1933, to Governor Harrison of the Federal Reserve Bank of New York, approved by six members of the Board, referring to his letter dated July 17 in regard to the effect of the discontinuance of the share-the-work plan at the bank upon the personnel situation with special reference to the number of employees and the plans for their utilization. The Board's letter stated that since the date of Governor Harrison's letter the bank has executed the President's Re-employment Agreement and it is assumed that the operation of this agreement has resulted in some material change in the situation, and that the Board, therefore, will appreciate it if Governor Harrison will advise it as to the present situation in the bank with special reference to the effect of the adoption of the President's Re-employment Agreement and the utilization by the bank of any surplus employees, together with any increase in the aggregate payroll of the bank that may have resulted from the changes which have taken place in employment conditions.

Approved.

Reply on August 30, 1933, approved by six members of the Board, to a letter dated August 22 from Mr. Stevens, Federal Reserve Agent at Chicago, inclosing a memorandum of the same date from Mr. C. L. Pitman, an examiner in the Federal reserve agent's department of the bank, with regard to his indebtedness. The reply stated that it is noted from Mr. Pitman's memorandum that his indebtedness of \$325 to the Badger State Bank, Milwaukee, Wisconsin, a member, will be liquidated during the next

9/2/33

-3-

twelve months, that his indebtedness to the East Side Bank of Milwaukee, Wisconsin, a nonmember, in the amount of \$550 is being paid at the rate of not less than \$25 per month, and that his indebtedness to the First American State Bank of Wausau, Wisconsin, in the amount of \$5,950, will be liquidated as rapidly as his income will permit, the collateral in the latter case to be sold and applied as soon as some improvement is shown in the market. The reply also noted the statements contained in the agent's letter with regard to the quality of the work being done by Mr. Pitman in the examination division of the bank.

Approved.

Letters dated August 30, 1933, approved by six members of the Board, to the boards of directors of the Watkins Banking Company, Faunsdale, Alabama, the State Savings Bank, Fontanelle, Iowa, and the Fordyce Bank & Trust Company, Fordyce, Arkansas, stating that, subject to the conditions prescribed in the individual letters, the Board approves the banks' applications for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Banks of Atlanta, Chicago, and St. Louis, respectively, to which each of the applicants 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 31, 1933, to the board of directors of The Home State Bank of South Milwaukee, Wisconsin, 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

9/2/33

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 September 1, 1933, to the board of directors of the Peoples Bank of Indianola, Mississippi, approved by four 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 St. Louis 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.

Telegraphic reply on August 30, 1933, approved by four members of the Board, to a letter dated August 25 from Mr. Newton, Federal Reserve Agent at San Francisco, inclosing an application of the Medford National Bank, Medford, Oregon, for 66 shares of stock of the Federal Reserve Bank of San Francisco, in lieu of the bank's application for a like number of shares forwarded with the agent's letter of August 15, 1933, and approved by the Board on August 21, and stating that it appears that the adoption by the applicant of new articles of incorporation was necessary to comply with the requirements of the Reconstruction Finance Corporation in connection with its purchase of preferred stock of the bank, and that the new application is submitted to conform to the date of the filing of the revised articles of incorporation. The reply stated that the Board approves the amended application of the national

9/2/33

-5-

bank for Federal reserve bank stock and revokes the approval granted on August 21 of the previous application.

Approved.

Reply on August 31, 1933, approved by five members of the Board, to a letter dated August 22 from Mr. Case, Federal Reserve Agent at New York, inclosing copies of a letter dated August 11 from Mr. F. Abbot Goodhue, President of the Bank of the Manhattan Company, and a letter dated August 21 from Mr. J. Stewart Baker, Chairman of the Bank of the Manhattan Company, with regard to the disposition of the stock held by that company in the Corning Trust Company and the North Side State Bank, both of Corning, New York, and the County Trust Company of White Plains, New York. The reply noted that negotiations regarding the sale of stock in the two banks in Corning are progressing; that in the agent's judgment the Bank of the Manhattan Company is making a diligent effort to dispose of its holdings of stock in these banks; that the negotiations are of a character which justify the belief that the Bank of the Manhattan Company may reasonably expect to effect the disposition of the stock without undue delay; and that the agent believes the officers of the bank are using their best endeavors to comply with the requirements of the Board as regards the disposition of the company's holdings of stock in the County Trust Company of White Plains. The reply also stated that, in view of the agent's statements and upon his recommendation, the Board extends for ninety days from August 30, 1933, the time within which the Bank of the Manhattan Company may dispose of the stock of the three banks in compliance with the condition of membership imposed by the Board, and that if at the end of that time the bank has not fully complied with

9/2/33

-6-

the condition, it is requested that the agent again bring the matter to the Board's attention, with a recommendation as to the action to be taken in the light of the circumstances existing at that time.

Approved.

Reply on August 30, 1933, approved by six members of the Board, to a letter dated August 2 from Mr. Austin, Federal Reserve Agent at Philadelphia, stating that the North Philadelphia Trust Company, Philadelphia, Pennsylvania, is considering applying for membership in the Federal Reserve System; that the institution's business is largely in connection with real estate, with 73% of its loans consisting of real estate loans; and that an expression of the Board's views is requested as to whether in these circumstances an application of the trust company for membership could properly be approved by the Board. The reply stated that the Board, of course, cannot undertake to pass definitely upon any proposed application for membership until the formal application has been received with full information regarding the financial condition of the bank, the character of its management, the nature of its functions and corporate powers and all other essential facts involved in the case and a recommendation from the Federal reserve agent and a committee of the Federal reserve bank as to the action which should be taken by the Board; and that, accordingly, the Board cannot undertake at this time to advise as to what action it would take on an application of the trust company for membership. The reply suggested that if the North Philadelphia Trust Company desires to become a member of the Federal Reserve System, the agent should request it to file a formal application for membership and should furnish the Board with full information as to its

9/2/33

-7-

condition, character of its management, nature and soundness of its real estate loans, functions exercised, and corporate powers, with a recommendation as to the action which the Board should take on the application, and stated that, in the event the Board cannot approve the application in view of all of the circumstances involved the trust company will be afforded an opportunity to withdraw it from consideration and thus will not be placed in the position of having its application refused by the Board.

Approved.

Telegraphic reply on August 30, 1933, approved by four members of the Board, to a letter dated August 4 from Mr. Wood, Federal Reserve Agent at St. Louis, with regard to a plan of reorganization of State banks in Illinois, whereby deferred certificates are issued to depositors of a bank who waive the right to withdraw immediately a part of their deposits and to stockholders who make contributions to the bank. The reply stated that it appears that these certificates are payable out of the earnings of the bank and, in the event of liquidation, before any distribution of assets to stockholders of the bank, and are carried in the statements of the bank in the nominal amount of one dollar; that the Board has taken the position that a bank's books and published statements should reflect all liabilities and has considered circumstances similar to those described above in connection with membership applications; that attention is called to the Board's letter of August 14, 1933, (X-7549); and that the principles stated therein are applicable to the facts described in the agent's letter. The reply also stated that if, after consideration of the principles described in the Board's letter of

9/2/33

-8-

8

August 14, the State banking department of Illinois still feels that a conference with the Board's counsel on the matter is desirable, such a conference can, of course, be arranged; and that, if the State banking department so desires, the Board, in view of possible applications for membership, will be glad to consider all of the features of the plan of reorganization used in Illinois, or any proposed revision thereof, upon receipt of detailed information with regard to all of its features and copies of all agreements usually involved. The reply stated further that any information which is furnished the Board in the matter should be accompanied by the agent's recommendation and any comments of counsel for the Federal reserve bank after careful consideration of all aspects of the plan of reorganization.

Approved.

Letter dated August 31, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of August 17 recommending approval of a reduction in the common capital stock of the Compton National Bank of Compton, California, from \$100,000 to \$50,000 in accordance with a plan of recapitalization which provides for the surrender of 50% of the present common capital, the sale of \$50,000 par value preferred stock to the Reconstruction Finance Corporation at par, and a contribution of \$15,000 from the present common shareholders; the released capital in the amount of \$50,000, together with the contribution of \$15,000 received from the common shareholders, to be used to eliminate criticized assets in the amount of \$65,000, such eliminated assets to remain the property of the bank. The reply stated that the Board approves the proposed reduction under the plan submitted, subject

9/2/33

-9-

to the conditions set forth in the reply.

Approved.

Reply on August 31, 1933, approved by five members of the Board, to a letter dated August 17 from Mr. O'Connor, Comptroller of the Currency, referring to the Board's letter of July 28, 1933, approving the application of the First National Bank and Trust Company of Covington, Kentucky, for permission to reduce its common capital stock from \$500,000 to \$200,000. The Comptroller's letter stated that instead of raising \$375,000 by the resale of \$200,000 par value of surrendered common stock, the sum of \$366,000 has been subscribed, of which \$116,000 represents a cash contribution made by old stockholders of the bank who are also purchasing a portion of the stock in the rehabilitated bank, and requested that the Board amend its approval of the reduction in capital so that the contribution by old stockholders may be \$116,000, instead of \$125,000, as contemplated by the original plan. The reply stated that the Board amends the conditions prescribed in its letter of July 28, 1933, in accordance with the Comptroller's request.

Approved.

Telegraphic reply on August 31, 1933, approved by four members of the Board, to a telegram dated August 28 from Mr. Walsh, Federal Reserve Agent at Dallas, referring to the Board's letter of August 18, 1933, (B-906), in which it was requested that each Federal reserve agent furnish the Board with a report covering the compensation of executive officers and directors of Federal reserve and member banks, and inquiring as to the reports to be submitted covering banks which have consolidated since July 1, 1932. The reply stated that in the

9/2/33

-10-

10

case of member banks consolidated after June 30 of last year, the report on Form B-906-c should show, in addition to the salary on June 30, 1933, the amount of salary and other compensation paid directors and executive officers from the date of the consolidation to June 30, 1933, and the period covered by such compensation, and that no report need be submitted covering compensation paid prior to the consolidation.

Approved.

Reply on August 31, 1933, approved by five members of the Board, to a letter dated August 25 from Mr. Young, Assistant Federal Reserve Agent at Chicago, inclosing a new report of the Liberty Safe Deposit Company, Chicago, Illinois, on Form 220a. The reply stated that, from the information furnished to the Board, it would appear that the Liberty Safe Deposit Company is an affiliate of the Liberty Bank of Chicago, a member bank, and that said member bank is required to obtain a report of the safe deposit company, and to publish such report under the same conditions as govern its own condition reports; that if the condition reports of the member bank are required to be published, therefore, it will be necessary for the member bank to publish under like conditions the report of its affiliate; and that in such event it will be appreciated if the Federal reserve agent will furnish to the Board evidence that the report of condition of the safe deposit company has been published.

Approved.

Letter dated August 30, 1933, to Mr. McClure, Federal Reserve Agent at Kansas City, approved by six members of the Board, inclosing a copy of a letter from the Nebraska Bankers Association, dated August 18,

9/2/33

-11-

1933, which was referred to the Board by the Comptroller of the Currency, relative to the payment of interest on deposits made by public subdivisions in Nebraska and payable on demand. The letter stated that, in accordance with the procedure set forth in the Board's letter of August 22, 1933 (X-7558), it is requested that the agent submit the matter to counsel for the Federal reserve bank and that the agent follow his opinion in the matter, unless there appears to be doubt as to the proper interpretation to be placed upon the State law and it is considered advisable to present the matter to the Board, and that, if the question is submitted to the Board, it will be appreciated if the agent will furnish to the Board copies of all pertinent provisions of the State law, a copy of an opinion of counsel for the Federal reserve bank discussing all aspects of the question fully and in detail, and a copy of an opinion on the question rendered by the State Attorney General or other State official having similar authority, together with any other information which may be relevant. The letter also stated that the Board requests that the agent furnish it with a copy of any opinion which counsel for the Federal reserve bank may render in connection with the matter, even though it is not considered necessary to present the matter to the Board for a ruling.

Approved.

Telegraphic reply on August 30, 1933, approved by five members of the Board, to a telegram dated August 16 from Governor Calkins of the Federal Reserve Bank of San Francisco submitting an inquiry from the President of the San Francisco Clearing House Association with regard to the payment of interest on deposits under the provisions of the Banking Act of 1933. The reply stated that the Board has adopted a regulation

9/2/33

-12-

relating to the payment of interest on deposits which includes a definition of the term savings deposit as meaning a deposit which "consists of funds accumulated for bona fide thrift purposes" and meets certain other requirements; and that this regulation also contains a footnote on this subject reading as follows: "If by reason of the amount of the deposit, the business of the depositor or otherwise, a question arises whether a deposit is properly classified by a bank as a savings deposit, the bank must be prepared to show clearly that it is a deposit consisting of funds accumulated for bona fide thrift purposes and that it otherwise complies with the above definition". The reply also stated that where an attempt is made to create a so-called savings deposit by transferring funds from a deposit used for business purposes and it appears that the purpose of the proposed transaction is to evade the prohibition against the payment of interest on deposits payable on demand, the bank should not accept such deposit as a savings deposit or pay any interest thereon unless, upon inquiry, the bank is satisfied that the transaction is bona fide and not a device to evade the statutory prohibition; that in all cases where the circumstances are such as to raise a question as to the good faith of the transaction the bank must be prepared to show that it is not a device to evade the statutory prohibition; and that clearing house associations should cooperate in obtaining compliance with the spirit as well as the letter of the law.

Approved.

Reply on August 31, 1933, approved by five members of the Board, to a letter dated July 18 from Governor Seay of the Federal Reserve Bank of Richmond; the reply reading as follows:

9/2/33

-13-

"Receipt is acknowledged of your letter of July 18, 1933, inclosing copy of a letter from Mr. Julien H. Hill, President of the State-Planters Bank and Trust Company, Richmond, Virginia, a member bank, and copy of a memorandum of your counsel on the questions raised in Mr. Hill's letter. You request to be advised (1) whether the Board will agree to waive publication by the State-Planters Bank and Trust Company of the report of condition of one of its affiliates, the Richmond Mortgage and Loan Corporation, for the first call period, and (2) whether the Virginia Fire and Marine Insurance Company is an 'affiliate' of the State-Planters Bank and Trust Company within the meaning of the Banking Act of 1933.

"From the information submitted, it appears that all the stock of the Richmond Mortgage and Loan Corporation is owned by the State-Planters Bank and Trust Company, and, accordingly, that the mortgage loan company is an 'affiliate' of the member bank within the meaning of section 2(b) of the Banking Act of 1933. Although it is stated by Mr. Hill that the Richmond Mortgage and Loan Corporation 'is now in the process of liquidation', it does not appear that this corporation has been formally dissolved or formally placed in liquidation, and the fact that the corporation has ceased to sell bonds and intends to issue no further collateral trust notes does not affect its status as an 'affiliate' of the member bank. As you know, section 9 of the Federal Reserve Act, as amended, authorizes the Board to extend the time for transmission by a State member bank of a report of any of its affiliates for good cause shown, but it does not vest in the Board any discretion to determine whether or not a report shall be furnished in any given instance and published under the same conditions as govern the member bank's own condition reports. Accordingly, since the company in question appears to be an 'affiliate' of the member bank and since publication of the reports of the member bank is required by State law, the Board has no authority to waive the requirement that a report of the affiliate of such bank be published.

"In regard to the Virginia Fire and Marine Insurance Company, it appears that the majority of its directors are directors of the member bank, and you desire to be advised whether the company is an 'affiliate' of the member bank within the meaning of the statute. The Board understands that the Comptroller of the Currency has submitted to the Attorney General a question similar to that raised by your inquiry, and in the circumstances, the Board does not feel that it can undertake at this time to express an opinion on the question presented. It is also understood that questions similar to those raised in paragraph 6 on page 1 and in paragraph 2 on page 2 of Mr. Hill's letter have been submitted to the Attorney General by the Comptroller of the Currency. You will be advised of the ruling of the Attorney General as soon as his opinion is received.

"The Board has also received a letter dated August 7, 1933, from Mr. Hill, in which he requests permission to delay for the

9/2/33

-14-

14

"time being publication of the statements of the organizations affiliated with the State-Planters Bank and Trust Company, and your letter of August 7, 1933, in which you recommend that, in view of the runs recently experienced by the State-Planters Bank and Trust Company, and the fear that the publication of such statements would operate to the detriment of the bank, the Board defer for an indefinite period, or at least until the next statement period, the publication of the statements of these affiliates.

"It appears that Section 4149 (52) of the Virginia Code requires banking institutions organized under the laws of that State to make statements of their financial condition to the State Corporation Commission at such times as national banks are required to make their statements to the Comptroller of the Currency, and at such other times as the State Corporation Commission may deem necessary; and also requires them to publish such statements in condensed form in some newspaper printed in the city, town or county where such bank is located within fifteen days after the call for such statements. It is assumed that, in accordance with this requirement, the State-Planters Bank and Trust Company has already published its own report of condition as of June 30, 1933, rendered pursuant to the call made by the Federal Reserve Board on July 7, 1933, and it should have published reports of condition of its affiliates at the same time and in the same newspaper if the time for furnishing such statements had not been extended by the Federal Reserve Board. In order to carry out the purpose of the statute, it would also seem that, when the reports of the condition of its affiliates as of June 30, 1933, are published, the bank should also publish in the same newspaper a statement of its own condition as of the same date, notwithstanding the fact that its own report as of that date has already been published.

"As you know, the Federal Reserve Board and the Comptroller of the Currency have extended until September 16, 1933, the time within which all member banks may file with the Federal reserve banks and the Comptroller, respectively, reports of their affiliates called for on July 7, 1933, pursuant to the Banking Act of 1933; and, after careful consideration of the facts presented, the Board does not feel that it should grant any further extension of time within which the State-Planters Bank and Trust Company may file the reports of its affiliates. Furthermore, for the reasons indicated above, the Board cannot waive the publication of such reports, and it could not properly defer such publication indefinitely. It is suggested, therefore, that the State-Planters Bank and Trust Company exert its best efforts to obtain and publish the reports of its affiliates on or before September 16, 1933.

"In connection with the publication of the reports of the affiliates, you are further advised that there will be no objection to the State-Planters Bank and Trust Company publishing with the reports of its affiliates which are actually in process of liquidation an explanatory statement as to the actual legal status

9/2/33

-15-

15

"of such affiliates at the time of the publication of such statements.

"The Board takes no exception to any of the opinions rendered by your counsel in respect to the questions raised by Mr. Hill's letter which are not referred to herein, but agrees generally with his conclusions in respect thereto."

Approved, together with a letter dated August 31, 1933, to Mr. Julien H. Hill, President of the State-Planters Bank and Trust Company, Richmond, Virginia, also approved by five members of the Board, replying to his letter of August 7 and advising him in accordance with the position taken in the letter to Governor Seay.

Telegram dated August 31, 1933, to the governors of all Federal reserve banks, approved by four members of the Board, stating that on August 9, 1933, the Board transmitted to each Federal reserve bank a copy of a form of agreement proposed to be entered into between the Federal Emergency Administrator of Public Works and each Federal reserve bank, covering services proposed to be rendered by the reserve banks as depositaries, custodians and fiscal agents for the Administration in connection with loans under the National Recovery Act, and requested the comments of the reserve banks in regard thereto; that after receiving and considering the comments and suggestions of all reserve banks, the Administrator had prepared a revised form of agreement from which it appears that almost all objections and suggestions made by the Federal reserve banks had been met or accepted in substance and that the agreement had been revised in accordance therewith; but that certain suggestions, set forth in the telegram, had not been accepted by the Administrator. The reply also quoted a letter dated August 31 from the Under Secretary of the Treasury stating that, while the Treasury does not approve of the procedure provided in the proposed agreement for general use by Government departments, it recognizes the existing emergency, and in an effort to

9/2/33

-16-

assist the Public Works Administration in expediting payments under the National Industrial Recovery Act, the Under Secretary has agreed to request the Federal reserve banks, as fiscal agents of the United States, to act in accordance with the terms of the agreement if it is in such form that it can be executed by them, and that the Treasury hopes, in the course of this fiscal year, to have the centralized disbursing organization provided by the Executive Order of June 10, 1933, functioning both in Washington and in the field, at which time it will take over the disbursing function contemplated under the proposed agreement. The reply also stated that, in view of the decision of the Treasury Department, the Board offers no objection to any Federal reserve bank acting, upon receipt of the request of the Secretary of the Treasury, in the capacities indicated, in accordance with the terms of the revised form of agreement, provided such agreement is satisfactory to the contracting Federal reserve bank; that the Board is mailing to each Federal reserve bank a copy of the revised agreement as submitted to the Board; and that it is understood that copies of the proposed agreement will be forwarded to each Federal reserve bank by the Administrator of Public Works.

Approved.

Letter dated September 1, 1933, to the governors of all Federal reserve banks, approved by four members of the Board, stating that, since the Board's telegram of August 31, 1933, was transmitted, certain changes in the proposed memorandum of agreement covering the services proposed to be rendered by the Federal reserve banks as depositaries, custodians, and fiscal agents for the Federal Emergency Administrator of Public Works were agreed upon as a result of further negotiations between the Treasury

9/2/33

-17-

Department, the Federal Emergency Administrator of Public Works and the Federal Reserve Bank of New York, and inclosing a copy of the proposed memorandum of agreement as further revised so as to incorporate the changes referred to. The letter also stated that, as stated in the Board's telegram of August 31, in view of the decision of the Treasury Department, the Board offers no objection to any Federal reserve bank acting, upon receipt of a request of the Secretary of the Treasury, in the capacities indicated in the form of agreement inclosed with the letter, provided such agreement is satisfactory to the contracting Federal reserve bank; that it is understood that the Under Secretary of the Treasury will promptly request each Federal reserve bank to act in the capacities indicated; and that the Administrator of Public Works will forward copies of the proposed memorandum of agreement to all Federal reserve banks for execution.

Approved.

Letter dated August 31, 1933, to the Attorney General of the United States, approved by five members of the Board, stating that the attention of the Board has been directed to the use of the word "reserve" in its corporate title by the Western Reserve Mortgage Company of Cleveland, Ohio; that such use of the word "reserve" may constitute a possible violation of the provisions of the Act of May 24, 1926; and that, in accordance with the Board's usual practice in such cases, the matter is reported to the Attorney General for such action as he may consider advisable. The letter inclosed, for the Attorney General's further information in this connection, copies of a letter, with inclosure, addressed to the Board under date of February 14, 1933, by Mr. W. H.

9/2/33

-18-

Fletcher, Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland; letters, with inclosures, addressed to the Board under dates of April 25 and July 10, 1933, by Mr. Stanley Reed, General Counsel for the Reconstruction Finance Corporation; and a letter addressed by the Board to the Reconstruction Finance Corporation under date of August 31, 1933.

Approved.

There was then presented an application filed by the organizers of the National Bank of Lima, Ohio, for permission to exercise trust powers, and in connection therewith consideration was also given to a memorandum prepared in the Division of Examinations under date of August 31, 1933. It was stated that there is no bank in Lima (a town of over 40,000 population) at the present time which has authority to exercise trust powers, the Lima First American Trust Company which had a large and profitable trust business being in the hands of a conservator; that it is not intended that the new institution will take over any assets of any other banks or succeed to the business of any other institutions, but that the organizers of the applicant bank anticipate that at least 75% of the trust business of the Lima First American Trust Company will be available and acceptable to the new institution; and that earnings from this source should amount to approximately \$20,000 per annum which the organizers feel is sufficient to insure the operation of the institution at a profit from the date of opening. It was also stated that the plan of organization of the new institution provides for subscription by the Reconstruction Finance Corporation for \$100,000 of preferred capital stock at par, and that the Corporation has prescribed a condition

9/2/33

-19-

in connection with its subscription that the bank shall first receive permission to exercise trust powers. It was also pointed out that, while Mr. Robert B. Keeler, proposed executive vice president and active head of the new bank, is an investment banker with no experience in commercial banking, and Mr. William R. Foulkes, proposed trust officer, was formerly vice president and trust officer of the closed Lima First American Trust Company, and while no information is available as to the condition of the trust department of the latter institution, all of the information submitted with regard to the board of directors and management of the new bank is favorable and approval of the application is recommended by the executive committee of the Federal Reserve Bank of Cleveland and the Comptroller of the Currency.

Mr. Morrill referred to the policy of the Board in refusing to consider applications for permission to exercise trust powers unless information is available with regard to the trust department and the management proposed for the trust department, and he stated that the Lima First American Trust Company was a nonmember and the Federal reserve agent's office has advised that the last report of examination does not contain anything of value with regard to the trust department, but that the information received with regard to Mr. Foulkes indicates that he is an able trust executive having the confidence of the community in spite of his connection with a suspended bank, and that he built up the trust department of the Lima First American Trust Company from a total of \$1,000,000 in 1923 when he took charge, to \$11,000,000 when the company suspended in March of this year. Mr. Morrill also stated that the bank desires to open for business on Tuesday, September 5, and, in view of the requirement of

9/2/33

-20-

the Reconstruction Finance Corporation, as a condition precedent to the subscription by the Corporation to the capital stock of the bank, that the bank obtain authority to exercise trust powers, the organizers desire to have the Board's decision as soon as possible.

A discussion ensued, during which it was expressed as the consensus of the members present that, in view of the special circumstances in the case, including the fact that the City of Lima does not have a bank with authority to exercise trust powers, that the information available with regard to the management of the proposed institution is favorable, and there is nothing in the records indicating that the trust department of the Lima First American Trust Company is subject to criticism, the Board, without setting a precedent as to future cases, should approve the application.

Accordingly, the Secretary was requested to advise the Federal Reserve Agent at Cleveland that, effective if and when the Comptroller of the Currency authorizes the new national bank to commence business with a paid-in capital of at least \$200,000 and a surplus of at least \$40,000, the Federal Reserve Board approves the application filed in the bank's behalf for permission 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, 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 Ohio, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Messrs. Carpenter, Bethea, Wyatt, Wingfield, and Chamberlin then left the meeting.

The Governor presented a letter addressed to him under date of September 1, 1933, by Mr. Fred I. Kent, in charge of the foreign exchange

9/2/33

-21-

division of the Federal Reserve Bank of New York, stating that upon his return from a vacation Deputy Governor Crane had advised him of the repercussions from the publication of an article which he wrote for the Literary Digest as a personal favor to the new editor, and that if he had anticipated such results he would not have written the article or at least would not have allowed its publication without referring it to the Federal Reserve Board. The letter also stated that the magazine "Forum" had asked Mr. Kent early in July to write a short statement for it for publication in answer to a question which had been presented by a number of the magazine's contributors; that a reply was dictated and sent in at that time; and that, although it was too late to recall the statement, a copy was being inclosed with Mr. Kent's letter. The letter stated further that the Board may rest assured that while Mr. Kent is connected with the Federal Reserve Bank of New York no further articles will be sent out by him for publication without prior reference to the Board, and that it is very much regretted that the members of the Board have been troubled because of the Literary Digest article.

After a discussion as to what, if any, action should be taken by the Board regarding the matter, the Governor was authorized to discuss the matter with the officials of the Federal Reserve Bank of New York with a view to the termination of Mr. Kent's employment by the bank, in view of the fact that it appears that there is no longer any real need for Mr. Kent's services at the bank.

Governor Black stated that, inasmuch as Mr. Kent was employed by the New York bank to administer the regulations of the Treasury Department with regard to foreign exchange, he would also discuss the matter with Under Secretary of the Treasury Acheson.

Reports of Standing Committee dated August 29 and 31, 1933, recommending approval of the following changes in stock at Federal

9/2/33

reserve banks:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
First National Bank, Franklin, N. Y. (Insolvent)	60	
Journal Square National Bank, Jersey City, N. J. (V.L.Abs. by Hudson County National Bank, Jersey City, N. J.)	<u>510</u>	570
<u>District No. 3.</u>		
Maple Shade National Bank, Maple Shade, N. J. (Insolvent)	36	
Peoples National Bank, Delta, Pa. (Insolvent)	<u>60</u>	96
<u>District No. 5.</u>		
First National Bank, Mebane, N. C. (Insolvent)	36	36
<u>District No. 7.</u>		
Union & Peoples National Bank, Jackson, Michigan. (Insolvent)	720	720
<u>District No. 11.</u>		
Citizens National Bank, Abilene, Texas. (V.L.Suc. by Citizens National Bank in Abilene, Texas.)	210	210
<u>District No. 12.</u>		
Peoples Savings & Commercial Bank, Chico, Calif. (Insolvent)	<u>75</u>	<u>75</u>
	<u>Total</u>	<u>1,707</u>

Approved.

Report of Standing Committee dated September 1, 1933, recommending approval of the following Clayton Act application:

Mr. H. G. Fannin, for permission to serve at the same time as director and officer of the First National Bank in Tarpon Springs, Tarpon Springs, Florida, and as director and officer of the Commercial Bank in Panama City, Panama City, Florida.

Approved.

Thereupon the meeting adjourned.

Clayton Howell
Secretary.

Approved:

E. R. Beck
Governor.