

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Saturday, September 30, 1933, at 11:30 a. m.

PRESENT: Mr. James, Presiding
Mr. Miller
Mr. Szymczak
Mr. O'Connor

Mr. Bethea, Assistant Secretary
Mr. Noell, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Paulger, Chief of the Division of Examinations
Mr. Vest, Assistant Counsel

The application of The National Bank of America, Paterson, New Jersey, for permission to reduce its capital stock from \$500,000 to \$200,000 in connection with a plan for the reorganization of such bank, approval of which was recommended by the Comptroller of the Currency in his memorandum dated July 13, 1933, was brought up for consideration. Mr. Paulger reported that the Division of Examinations had been unable to concur in the recommendation of the Comptroller and that the matter had been delayed for sometime in order that it might be discussed informally with the Comptroller's office. He said that, while this had been done on several occasions, Deputy Comptroller Gough felt that the Board should take such action on the recommendation previously submitted as in its opinion might be warranted. Mr. Paulger said that he had recently talked with Mr. L. K. Roberts, Chief National Bank Examiner at New York, and with Mr. Case, Federal Reserve Agent at New York, both of whom felt that action should be taken on the application at once. In this connection, attention was called to the fact that Mr. Case does not

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favor the capital reduction applied for and feels that, with the City of Paterson admittedly over-banked, the future of the bank after reorganization would be problematical. Mr. Paulger stated that it appeared that the reorganization plan, while it would considerably improve the condition of the bank, was not altogether desirable; that the City of Paterson is apparently over-banked, and that the institution, if reopened, would not have good prospects of success; that the management had been unsatisfactory and directors and officers had used the bank in order to obtain loans for themselves and members of their families during the time immediately following the stock market crash; that the Comptroller of the Currency intended to require that the management of the reorganized bank be satisfactory to the Chief National Bank Examiner at New York, and that, even though the reorganization plan left something to be desired, the bank, if reopened, would come in under the temporary insurance fund of the Federal Deposit Insurance Corporation beginning January 1, 1934, and to that extent its survival was assured. Mr. Bethea stated that consideration of the application involved a question of policy in that a decision must be made as to whether it would be desirable to reopen a bank on a basis which is not entirely sound, in order that it might participate in the protection to be afforded by the Federal Deposit Insurance Corporation, or whether it would be preferable to refuse to approve the reduction in capital stock with the result that the bank might have to go into liquidation. He added that it appeared from the examiner's comments that the reorganization plan did

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not offer greater benefits to the depositors and other creditors, so far as ultimate recovery was concerned, than might be realized through a process of liquidation involving the levying of a stockholders' assessment. Mr. Miller indicated that he was of opinion that the Federal Reserve Board should be required only to consider applications for reduction in capital stock in the light of whether the condition of the bank would be improved, rather than adversely affected, in determining the action to be taken, and that he felt the responsibility for determining whether the reorganization should be approved devolved primarily upon the Comptroller of the Currency, and that his decision regarding that phase of the matter should be accepted by the Board. He inquired of Mr. Wyatt as to the responsibility imposed upon the Federal Reserve Board under the law in connection with reductions in capital stock.

Mr. Wyatt replied that, in his opinion, it was necessary that the Board assume a dual responsibility with the Comptroller of the Currency and view the situation in all of its aspects before reaching its conclusion.

Mr. Miller suggested that it would be desirable for the Board to have an opinion of its counsel, and also an opinion of counsel for the Comptroller of the Currency, indicating precisely the scope of the authority and responsibility of the Board and the Comptroller of the Currency with respect to these matters in order that an effort might be made to avoid as far as possible the overlapping of functions. Mr. O'Connor concurred in this suggestion and stated that, in view of the efforts of his office to work out sound reorganizations and the amount of time and effort

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expended in contacting shareholders, depositors, and others on the part of officers and representatives of the banks involved, it was manifestly unfortunate that it appeared necessary for the Federal Reserve Board to cover the same ground. He pointed out that, in instances where the Board's examining staff did not concur in the recommendation of his office, all preliminary work extending over a period of months in some cases was fruitless.

After discussion, it was the consensus of the Executive Committee that consideration of the foregoing application should be deferred until the next meeting of the Board.

The Executive Committee considered a memorandum dated September 21, 1933, prepared by Mr. Paulger, with respect to the recommendation submitted by Mr. Case, Federal Reserve Agent at New York, in his letter dated September 8, 1933, recommending the appointment of Mr. Orrin R. Judd as an examiner in the Federal reserve agent's department with salary at the rate of \$12,000 per annum, to supervise the examination of trust departments of State member banks. Mr. Paulger stated that Mr. Judd will be 63 years of age on November 4, 1933; that he has been doing trust work for the past 20 years; that in 1925 he became vice-president in charge of the personal trust division of the Irving Trust Company of New York and continued in that capacity until June 6, 1933, when he left the employ of the trust company. Mr. James inquired as to why Mr. Judd left the Irving Trust Company and Mr. Paulger stated that he had made a discreet investigation into the matter and it appeared that a difference of opinion over the administration of a large

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estate had something to do with Mr. Judd's retirement. Mr. Paulger stated also that it seemed that Mr. Judd was more a student than a business executive; that he receives a pension from the Irving Trust Company of \$200 a month; and that Mr. Case recommends that Mr. Judd be appointed only for a period of two years, in order that he might develop an effective organization of younger men to carry on the work in the future. He stated further that he thought it would not be desirable to appoint a man as old as Mr. Judd or to appoint anyone only for a period of two years; that he felt it would be preferable to appoint a younger man with the proper training and experience who could grow into increased usefulness; and that it was his recommendation that the employment of Mr. Judd as an examiner to handle trust examinations be not approved.

After discussion, Mr. Miller made a motion, which was unanimously adopted by the Executive Committee, to the effect that Mr. Paulger be authorized to continue discussions with Mr. Case in regard to the employment of a thoroughly trained man for trust work with the view to having Mr. Case withdraw his recommendation with respect to Mr. Judd and submit another recommendation in this connection.

There was presented, at Mr. Miller's request, a letter dated September 26, 1933, from Mr. Stevens, Federal Reserve Agent at Chicago, transmitting copies of statements of indebtedness, as of July 1, 1933, of Messrs. W. J. Pemmingroth and H. G. Hudson, newly appointed examiners in the Federal reserve agent's department of the bank, submitted in accordance with the Board's letter of April 29, 1933 (X-7425), together with a draft of a reply thereto, which had been prepared and placed in

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circulation, stating that it is noted from the statement submitted by Mr. Penningroth that he is indebted to the City National Bank & Trust Company, Battle Creek, Michigan, in the amount of \$750, and that it will be appreciated if the agent will advise the Board whether Mr. Penningroth plans to liquidate this indebtedness within a reasonable time, and also as to any outside business connections which he or Mr. Hudson may have. Mr. Miller pointed out that Mr. Penningroth also is indebted to the Union & Peoples Company, Jackson, Michigan, in the amount of \$3,600 and to the Guardian Holding Company, Detroit, Michigan, in the amount of \$25,000. He said that he felt the Board should consider whether it is desirable, as a matter of policy, to approve the appointment of an individual having an outstanding indebtedness of \$29,350 to a position on the examining staff of the reserve bank. Mr. Bethea stated that the \$750 loan was the only one mentioned in the proposed reply because it represented indebtedness to a member bank, which is the kind referred to in circular letter X-7425. Moreover, he said, the two large loans were collateral loans and in the case of the \$25,000 loan, the following explanation appeared on the statement of indebtedness: "Employees Contract for the purchase of Group stock. Although not specifically set forth it has generally been considered the holding company would look only to the security and not to the employee."

After discussion, the Executive Committee referred Mr. Stevens' letter of September 26, 1933, and the draft of reply thereto, to the Committee on District No. 7, for consideration, with the understanding that it would submit a recommendation to the Board regarding the matter.

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There was presented also a letter dated September 27, 1933, from Mr. Stevens stating that examiners which the Federal Reserve Bank of Chicago has allotted to the Federal Deposit Insurance Corporation are being paid higher salaries than would normally be paid for similar work by the reserve bank, that in some cases the increases involved run as high as \$1,000 and that, when such examiners are released from this special assignment, it may be difficult for the bank to obtain their services again at the usual salaries. Mr. Paulger said he thought a higher salary scale should prevail for the duration of the special assignment inasmuch as the examiners involved will be required to work day and night, Sundays and holidays.

After discussion, the Executive Committee referred Mr. Stevens' letter of September 27, 1933, to the Committee on District No. 7, for consideration, with the understanding that it would report its findings to the Board.

The Committee then considered and acted upon the following matters:

Letter dated September 27, 1933, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, stating that Mr. E. C. Graham, a Class B director of the bank, whose term expires on December 31, 1934, has tendered his resignation inasmuch as he is now President of the Hamilton National Bank of Washington, D. C., and is therefore no longer eligible to serve as a Class B director; that a special election to fill the vacancy caused by Mr. Graham's resignation will be conducted shortly contemporaneous with the regular annual election of directors; and that a copy of Mr. Graham's letter of resignation is inclosed for

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the Board's files.

Noted.

Letter dated September 28, 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.

Reply on September 29, 1933, approved by five members of the Board, to a letter dated September 25 from Mr. Case, Federal Reserve Agent at New York, stating that the executive committee of the Federal Reserve Bank of New York, at its meeting on that date, voted to recommend to the Board that Messrs. Oscar P. Carpenter, Philip L. Dickinson, John Keirsey, William H. Lee and Arthur W. Mitchell, employees in the Bank Examinations Department, be designated assistant examiners. The reply stated that the Board approves the designation of the employees referred to as assistant examiners in the Federal reserve agent's department of the bank without change in compensation.

Approved.

Letter dated September 29, 1933, to Mr. Wood, Federal Reserve Agent at St. Louis, approved by five members of the Board, referring to the transaction whereby the North St. Louis Trust Company and the Water Tower Bank, both member institutions located in the City of St. Louis, Missouri, were merged under the charter of the North St. Louis Trust Company, effective as of March 18, 1933, and stating that the Board has reviewed the condition of the trust company as reflected in the

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report of examination as of June 20, 1933; that it has also noted the information submitted with the agent's letter of August 1, 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 member institution within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System; and that, on the basis of this information and the agent's recommendation, the Board will, therefore, take no action affecting the membership of the North St. Louis Trust Company in the Federal Reserve System by reason of the transaction. The letter stated also that it is noted that the agent has called the bank's attention to the unsatisfactory condition as disclosed by the examination, and that the Board will appreciate being kept advised of any improvements in the bank's condition.

Approved.

Letter dated September 28, 1933, to Mr. Newton, Federal Reserve Agent at Atlanta, approved by five members of the Board, referring to the application of The Commercial National Bank of Chattanooga, Tennessee, for permission to act in all fiduciary capacities authorized under section 11(k) of the Federal Reserve Act, and stating that the Board has been informed by the Comptroller of the Currency that a suit has been started against the former officers of the First National Bank of Chattanooga, charging fraud in connection with the sale of participation certificates in real estate mortgages, which involves two officers of the applicant bank; and that, accordingly, the Comptroller of the Currency

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has recommended that the granting of trust powers to the applicant bank be delayed for a time until the public reaction to the facts brought out in the suit and its effect upon The Commercial National Bank of Chattanooga shall become evident. The letter stated also that, in view of the information submitted by the Comptroller, and his recommendation in the premises, the Board is unwilling to grant trust powers to The Commercial National Bank of Chattanooga at this time; that it is felt that, instead of declining the application, it would be preferable to withhold final action in the matter until after the results of the pending litigation against the officers and its effect on the applicant have been determined; that the agent is requested to advise the bank accordingly; and that the Board will be glad to consider another application for trust powers when the unsatisfactory conditions surrounding the management and the bank's relationship with the preceding institutions have been fully eliminated.

Approved.

Letter dated September 28, 1933, to The First Lake County National Bank at Libertyville, Illinois, approved by four members of the Board, referring to the application filed by the bank through the Federal Reserve Bank of Chicago, for permission to exercise full fiduciary powers under section 11(k) of the Federal Reserve Act, and stating that the Board has considered the application 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

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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 Illinois, only in the specific trusts in which the old First Lake County National Bank of Libertyville had been appointed and was acting on the date when The First Lake County National Bank at Libertyville was authorized by the Comptroller of the Currency to commence business, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The letter stated also that action has been deferred upon the bank's application for full fiduciary powers until the institution has been in operation for at least one year, and a report of examination made subsequent to that period has been received.

Approved.

Telegram dated September 29, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by five members of the Board, referring to the Board's wire of August 12, 1933, in connection with the proposed branch of the Spokane and Eastern Trust Company, Spokane, Washington, at Cheney, Washington, and requesting that the agent forward a complete copy of the latest report of examination of such bank and advise as to the total number of branches such bank will have after the contemplated branch at Cheney is established and where each branch is located. The telegram also requested that the agent forward, if available, copies of any agreements covering the proposed take-over of the Security National Bank of Cheney by the Spokane and Eastern Trust

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Company and advise as to the opinion of counsel for the Federal reserve bank as requested in the Board's telegram of August 12; and stated that it is understood that the Supervisor of Banking of Washington has approved the establishment and operation of the proposed branch at Cheney, but that it will be appreciated if the agent will confirm this. The telegram stated further that, in order to consummate the merger, it appears to be necessary for the Northwest Bancorporation, the holding company affiliate of the institutions involved in the merger, to obtain a voting permit from the Board; that, in this connection, it is requested that the agent submit to the Board his recommendation as to whether the permit should be granted; and that the Board is advising the Federal Reserve Agent at Minneapolis that the Northwest Bancorporation should file a copy of the application for such permit with the Federal Reserve Agent at San Francisco.

Approved, together with a telegram dated September 29, 1933, to Mr. Peyton, Federal Reserve Agent at Minneapolis, also approved by five members of the Board, referring to his letter of September 23 inquiring as to whether the Northwest Bancorporation must file a copy of its application for a voting permit with the Federal reserve agent of each district in which a subsidiary member bank is located, and stating that since the application in question is for a temporary permit solely for the purpose (1) of voting the stock of the Northwestern National Bank, Minneapolis, Minnesota, in connection with the consolidation of that bank and the Minnesota Loan and Trust Company, and (2) of voting the stock of the Security National Bank, Cheney, Washington, and of the Spokane and Eastern Trust Company, Spokane, Washington, in connection with the merger of such institutions, the Board will not in this case require the applicant to file a copy of the application for a temporary permit in each district in which a subsidiary member bank is located; that the filing by the applicant with the Federal Reserve Agent at San Francisco of a copy of

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the application which has been filed with the Federal Reserve Agent at Minneapolis and the Federal Reserve Board will be sufficient for the purposes of the instant application; and that, however, before the Board acts on the question whether a permit entitling the applicant to vote the stock in all of its subsidiary member banks should be granted, the requirements of Regulation P in this respect must be fully complied with.

Reply on September 28, 1933, approved by five members of the Board, to letters dated August 5 and September 19 from Mr. Thaddeus M. Jones, Treasurer of the Prince Georges Bank and Trust Company, Hyattsville, Maryland, with regard to the eligibility of the Prince Georges Bank and Trust Company for membership in the Federal Reserve System. The reply stated that it is understood that such bank has a branch located in Mt. Rainier, Maryland, beyond the limits of Hyattsville, which was established subsequent to February 25, 1927; that, under the provisions of section 9 of the Federal Reserve Act, as amended by the Banking Act of 1933, branches of a State member bank established subsequent to February 25, 1927, beyond the limits of the city, town, or village in which the parent bank is located, may be retained by such bank only if it complies with the same requirements applicable to the establishment of branches by a national bank beyond the limits of the city, town or village in which the national bank is located; and that, under the provisions of the National Bank Act, as amended by the Banking Act of 1933, a national bank is authorized to establish a branch within the State in which it is located and beyond the limits of the city, town or village in which the parent bank is situated if its establishment and operation are, at the time, "authorized to State banks by the Statute

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Law of the State in question by language specifically granting such authority affirmatively and not merely by implication or recognition, and subject to the restrictions as to location imposed by the law of the State on State banks", provided, of course, that the bank complies with all other requirements of the law. The reply stated also that, although the statutes of Maryland recognize the right of State banks to establish branches beyond the limits of the place in which the parent bank is situated, the Board does not understand that the authority is given "by language specifically granting such authority affirmatively and not merely by implication or recognition", to establish branches beyond the limits of the city, town or village in which the parent bank is located; and that, accordingly, the Prince Georges Bank and Trust Company may not lawfully be admitted to membership in the Federal Reserve System while retaining the branch established at Mt. Rainier subsequent to February 25, 1927.

Approved.

Telegraphic reply on September 28, 1933, approved by five members of the Board, to a letter dated September 23 and a telegram dated September 27 from Mr. Bell, Cashier of the Federal Reserve Bank of Atlanta, inclosing a copy of a letter dated September 20 from Mrs. Marion Banister, Assistant Treasurer of the United States, stating that beginning October 2, 1933, the bank is requested to advise the Treasurer by wire the amount of unfit Federal reserve bank notes, new series, charged in the Treasurer's general account and shipped to the National Bank Redemption Agency for redemption; and stating that to comply with

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this request it will be necessary that the bank make a complete change of practice in handling unfit new series Federal reserve bank notes and unfit new series national bank notes by making an additional assortment to separate the two issues; that this will mean a considerable increase in labor and time, and will no doubt necessitate eventually, if not immediately, an increase in the number of persons employed in the Currency Assorting Divisions of all Federal reserve banks and branches; and that the Board's advice in the matter is requested. The reply stated that separate figures of Federal reserve bank notes redeemed are necessary for inclusion in the Treasurer's daily statement and in determining the amounts of various kinds of money in circulation; that it is suggested that the bank make arrangements to comply with the Treasurer's request; and that, if such compliance necessitates employing additional money counters, the Board will be glad to have the bank bring that fact to its attention.

Approved.

Reply on September 28, 1933, approved by five members of the Board, to a letter dated September 7 from Mr. Worthington, Deputy Governor of the Federal Reserve Bank of Kansas City, quoting a telegram from the Comptroller of the Currency, authorizing and requesting the bank to honor all checks or drafts drawn upon it by the receiver of a national bank in Kansas, covering funds in general and special accounts of the former conservator of the bank, and to make appropriate entries transferring such funds to the credit of the receiver; and requesting a ruling as to whether trust funds deposited by a conservator should

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remain on the books of the Federal reserve bank and be subject to check by the receiver when a receiver for the bank has been appointed, and as to the procedure to be followed with respect to funds included in the conservator's general account which may be transferred to a receiver, as well as funds subsequently coming into the hands of a receiver. The reply stated that the Board has been advised informally by the Comptroller's office that the wording of such telegrams regarding the transfer of funds from conservators to receivers has been changed, and that receivers are instructed by the Comptroller to transfer all balances in both the special and general accounts to designated depository banks as soon as it is practicable to designate such depositories; that, in order, however, that the receiver may promptly make available to depositors funds held in the special segregated account, the Comptroller would like to have the Federal reserve banks cooperate with him by honoring checks drawn by a receiver pending the designation of a depository bank to which his funds may be transferred; and that the Board sees no objection to the Federal Reserve Bank of Kansas City cooperating with the Comptroller in this respect.

Approved.

Reply on September 28, 1933, approved by five members of the Board, to a letter dated September 22 from Mr. Paul P. Brown, Secretary of the North Carolina Bankers' Association, Raleigh, North Carolina, with regard to the rates of interest which may be paid by banks on time and savings deposits under the provisions of the proposed Code of Fair Competition for the Banks of the United States. The reply stated that

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the provisions of the Board's Regulation Q with respect to the payment of interest on time and savings deposits are applicable only to banks which are members of the Federal Reserve System; that the question as to what banks are affected by the provisions of the proposed Code of Fair Competition with regard to the rate of interest which may be paid on time and savings deposits, if approved by the National Recovery Administration, is one which is not within the province of the Board; and that the Board, accordingly, does not feel that it is in a position to express an opinion with respect to such a question.

Approved.

Telegram dated September 29, 1933, to the Federal reserve agents at all Federal reserve banks, approved by five members of the Board, stating that a number of inquiries have recently been submitted to the Board involving the interpretation of provisions of the Banking Act of 1933 relative to holding company affiliates of State member banks; that, in view of the fact that the Board has not had sufficient opportunity to consider carefully all such questions and rule thereon, the Board feels that State member banks which are subsidiaries of holding company affiliates should be afforded additional time within which to obtain from their holding company affiliates agreements, on F. R. B. Form P-5, pursuant to the provisions of section III of the Board's Regulation P; and that, in the circumstances, the Board has extended until November 1, 1933, the time within which each State member bank which is a subsidiary of a holding company affiliate must obtain from its holding company affiliate and file an agreement on F. R. B. Form P-5.

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Telegraphic reply on September 28, 1933, approved by five members of the Board, to a letter dated September 25 from Mr. Curtiss, Federal Reserve Agent at Boston, referring to the necessity of State member banks obtaining and filing agreements by holding company affiliates on F. R. B. Form P-5, stating that substantially all of the stock of the Old Colony Trust Company, Boston, Massachusetts, a member bank, is held by three trustees for the benefit of stockholders of the First National Bank of Boston, and requesting advice as to whether an agreement on Form P-5 should be executed by the trustees as well as by the First National Bank of Boston. The reply stated that if the trusteeship is a "corporation, business trust, association, or other similar organization" within the meaning of the Federal Reserve Act, as amended, it would seem that it is a holding company affiliate of the member bank and should execute a separate agreement on Form P-5; that, in view of the fact that the Board does not have information which would enable it to pass on this question at this time, it would seem desirable, in case of doubt, for the trusteeship to execute and file a separate agreement on Form P-5, pending determination of this question; and that the Board understands that the First National Bank will file a similar agreement within the time prescribed.

Approved.

Telegraphic reply on September 28, 1933, approved by five members of the Board, to a telegram dated September 26 from Mr. Wood, Federal Reserve Agent at St. Louis, stating that the majority of the stock of the Peoples Bank, Little Rock, Arkansas, a member bank, is owned by

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the Peoples Trust Company, which was placed in liquidation by the State Bank Commissioner prior to June 16, 1933, and requesting advice as to whether it is necessary for the Peoples Trust Company to obtain a permit to vote the stock of the Peoples Bank. The reply stated that if the Peoples Trust Company is in the hands of a State official for the purpose of liquidation, presumably the ownership and control of the stock of the member bank is not in the Peoples Trust Company, but is vested in the State official, subject to order of the court or other duly constituted public authority, and that, accordingly, if such institution is in the hands of a State official who exercises control of the stock in question, subject to order of the court or other duly constituted public authority, it would not appear to be necessary for the Peoples Trust Company to obtain a voting permit or for the member bank to obtain an agreement by the Peoples Trust Company on Form P-5 during such period.

Approved.

Telegraphic reply on September 28, 1933, approved by five members of the Board, to a telegram dated September 23 from Mr. Newton, Federal Reserve Agent at San Francisco, referring to the Board's telegram of September 22 and submitting certain additional information in connection with the question as to whether the Mormon Church or the Zion's Savings Bank and Trust Company is a holding company affiliate of the Utah Trust and Savings Bank, Salt Lake City, Utah, a member bank. The reply stated that, presumably, the Zion's Savings Bank and Trust Company is an affiliate of the Utah Trust and Savings Bank, since it would appear that it is controlled by shareholders of the member bank who

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control a majority of the shares of the member bank, and that the agent does not state whether the three directors of the Utah Trust and Savings Bank, referred to in his telegram, who are also directors of the Zion's Savings Bank and Trust Company, represent a majority of the directors of the latter institution, but that if so, the Zion's Savings Bank and Trust Company would also come within the definition of an affiliate contained in section 2(b)(3) of the Banking Act of 1933. The reply stated also that, from the information furnished, it would not appear that the Zion's Savings Bank and Trust Company is affiliated with the member bank in any manner set forth in section 2(c) of the Banking Act of 1933 or that it is a holding company affiliate of such bank and required to execute an agreement on F. R. B. Form P-5, but that the Zion's Savings Bank and Trust Company would be a holding company affiliate of the member bank and would be required to execute such an agreement if it should control in any manner the election of a majority of the directors of the member bank; that, if the agent desires the Board to rule on this question, it is requested that the Board be furnished with all information which would be necessary to enable the Board to determine the matter; and that, in connection with the question whether the Mormon Church is a holding company affiliate of the member bank, it is requested that the Board be furnished with an opinion of counsel for the Federal reserve bank on this question, with a detailed discussion of the question whether the Mormon Church is a "corporation, business trust, association, or other similar organization" within the meaning of the Federal Reserve Act, as amended. The reply stated further that, in view of the doubt

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as to whether the Mormon Church is a holding company affiliate of the State member bank, and in case of doubt as to whether the Zion's Savings Bank and Trust Company is a holding company affiliate, it would seem desirable for such institutions, respectively, to execute and file the requisite agreement on F. R. B. Form P-5 within the time prescribed by the Board, pending determination of such questions.

Approved.

Telegraphic reply on September 28, 1933, approved by four members of the Board, to a telegram dated September 21 from Mr. Sargent, Assistant Federal Reserve Agent at San Francisco, inquiring as to whether an unlicensed State member bank operating under restrictions must publish a report of its holding company affiliate. The reply stated that, in order that the Board may have sufficient information to rule on the question, immediate advice is requested as to the exact status of the bank, whether the bank is in the hands of a conservator or other State official, whether formal action has been taken to place the bank in liquidation or receivership, the exact date any such action was taken, and the nature and extent of the business being transacted by the bank. The reply also requested that the Board be furnished with specific reference to any statute under authority of which bank is being operated, and any other information which may be relevant; and stated that, pending determination of the question, the Board extends the time for the transmission by the bank of a report of its holding company affiliate for a period of ten days from September 26. The reply stated further that it should be noted that a State member bank is not required

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under the Federal Reserve Act, as amended, to publish reports of its affiliates, including holding company affiliates, unless publication of the member bank's own condition report is required by State law, and that, if the State law does not require the member bank in question to publish its own condition report, it would not appear to be necessary for it to publish a report of its holding company affiliate or for the agent to furnish the information requested to the Board.

Approved.

Reply on September 28, 1933, approved by five members of the Board, to letters dated August 23 and September 19 from Mr. Peyton, Federal Reserve Agent at Minneapolis; the reply reading as follows:

"Receipt is acknowledged of your letter of September 19, 1933, and of your letter of August 23, 1933, relative to the participation by subsidiary member banks of the same holding company affiliate within the same Federal reserve district in the nomination and election of directors of a Federal reserve bank.

"Section 4 of the Federal Reserve Act contains the following proviso:

' * * * Provided, That whenever any two or more member banks within the same Federal reserve district are affiliated with the same holding company affiliate, participation by such member banks in such nomination or election shall be confined to one of such banks, which may be designated for the purpose by such holding company affiliate.'

"In view of this provision of the law, you request to be advised whether a holding company affiliate having one or more subsidiary member banks in each of the three groups into which member banks of each Federal reserve district are divided for electoral purposes, may designate one such bank in each group which may participate in the nomination and election of the director of Class A and of the director of Class B chosen by the group of which it is a member, or whether it may designate only one such bank in the Federal reserve district which may participate in the nomination and election of the director of Class A and the director of Class B chosen by the group of which it is a member. In other words, the question is presented whether, in a case in which one or more member banks in each group are subsidiaries of a holding company affiliate, such member banks may lawfully have three of their number participate

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"in the nomination and election of Class A and Class B directors, one bank in each group participating in the nomination and election of the Class A and the Class B director chosen by such group; or whether in such case only one such bank may participate in the nomination and election of directors, such bank, of course, participating only in the nomination and election of the Class A director and the Class B director chosen by the group of which it is a member.

"Since only one director of Class A and one director of Class B may be elected by the member banks of any one group and the terms of office of no two Class A directors and no two Class B directors expire in the same year, it is the Board's opinion that the nomination and election of each Class A director and of each Class B director are separate and distinct from the nomination and election of each other Class A or Class B director. Accordingly, it is the Board's view that an organization which is a holding company affiliate of one or more subsidiary member banks in each group may designate one of such banks in each group to participate in the nomination and election of each Class A director and each Class B director chosen by the group of which such bank is a member and that such member bank so designated may validly participate in such nomination and election."

Approved.

Reply on September 29, 1933, approved by five members of the Board, to a letter dated September 8 from Mr. McClure, Federal Reserve Agent at Kansas City; the reply reading as follows:

"Reference is made to your letter of September 8, 1933, in which you state that subsequent to June 16, 1933, a number of member banks continued to issue time certificates of deposit and other time deposit contracts on the same terms and conditions as theretofore, without making any stipulation in such contracts that the rate of interest stated therein would be subject to adjustment to conform to such regulations as might be issued by the Federal Reserve Board. You state that these agreements for the payment of interest were entered into in good faith, and you present the question whether member banks which issued such time certificates of deposit or other time deposit contracts subsequent to June 16, 1933, providing for payment of interest at a rate in excess of the maximum prescribed in the Board's Regulation Q for a period extending beyond October 31, 1933, may pay interest accruing after that date at the rate prescribed in such certificates or contracts.

"Member banks which issued certificates of deposit or other time deposit contracts subsequent to June 16, 1933, did so presumably with knowledge of the provisions of the Banking Act of 1933 requiring

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"the Federal Reserve Board to limit by regulation the rate of interest which may be paid by member banks on time deposits. Such certificates and contracts therefore must be considered to have been made in contemplation of this requirement of the law and with notice that the rate of interest provided therein would be subject to change to conform to the rate to be prescribed by the Board. Accordingly, it is the opinion of the Board that member banks may not pay interest accruing after October 31, 1933, at a rate in excess of that prescribed in Regulation Q, in accordance with certificates or contracts which were entered into after June 16, 1933 although such certificates or contracts provide for the payment of interest at a rate in excess of that prescribed in the regulation."

Approved.

At this point Mr. O'Connor left the meeting.

Mr. Martin stated that he desired to report, for the information of the Committee, that the National Recovery Administration, through Mr. Cary N. Weisiger, Jr., assistant to Mr. A. D. Whiteside, Deputy Administrator, had informally submitted a revised draft of the bankers' code approved by the committee of the American Bankers Association during the convention in Chicago, September 4-7, 1933, with the view of ascertaining whether the Board's staff had any comments or suggestions to make in connection with any of the specific provisions contained therein. He said that Mr. Wyatt also had been requested by Mr. Acheson, Under Secretary of the Treasury, to review the proposed code and let him have his views with respect thereto. Mr. Wyatt stated that he felt that some of the provisions of the code were ambiguous and certain changes would doubtless be advisable, but that he thought Governor Black should be consulted and, while prompt action was desired by the National Recovery Administration, it was his view, with which Mr. Acheson had indicated agreement, that sufficient time should be taken for careful consideration

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of the matter. Mr. Martin said that Mr. Smead also had considered the draft of the code submitted by Mr. Weisiger and had in mind some suggestions which he thought would improve the draft in its present form.

It was the consensus of the members of the Committee that, since it was understood the proposed code was being prepared for consideration by the President and would ultimately be released over his signature, the Federal Reserve Board should cooperate to the fullest extent in assisting informally by permitting its staff to make suggestions after opportunity for adequate consideration of the draft of the code submitted, and that Mr. Wyatt should take a copy of the code with him when he leaves tonight for the purpose of conferring on other matters with Governor Black at Highlands, North Carolina, so that the proposed code might also be discussed with him.

Mr. James called attention to the fact that, in accordance with the regular order of rotation, Mr. Hamlin, Mr. Miller, and himself, respectively, had served, in the order stated, as a member of the Executive Committee, and as chairman thereof in the absence of the Governor, during the first three quarters of the current year and that, since the third quarter ended today, it would be necessary to designate some other member of the Board to serve as a member of the Executive Committee, and as chairman thereof in the absence of the Governor, for the quarter ending December 31, 1933. He, therefore, suggested that the Executive Committee designate Mr. Szymczak to serve in those capacities during the next quarter. Mr. Bethea pointed out that the by-laws provide that "The appointive member of the Committee shall be nominated and elected at a regular meeting of the Board" and that, in the circumstances, perhaps the Executive Committee would wish to defer the appointment of a member to serve during the last quarter of the year until the next meeting

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of the Board. However, Mr. Miller stated that such action could be taken at this time by obtaining the approval of the Secretary of the Treasury and the Comptroller of the Currency which in this instance would meet the requirement of the by-laws that "Five members of the Board shall constitute a quorum for the transaction of business".

The Executive Committee thereupon designated Mr. Szymczak as a member of the Executive Committee and as chairman thereof in the absence of the Governor, for the quarter ending December 31, 1933, with the understanding that such action would not become effective until concurred in by the Secretary of the Treasury and the Comptroller of the Currency as members ex officio of the Federal Reserve Board.

Reports of Standing Committee dated September 29 and 30, 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. 5.</u>		
The National Bank of Sanford, Sanford, N. C.	36	36
<u>District No. 8.</u>		
Stone City National Bank, Bedford, Ind.	66	66
	<u>Total</u>	<u>102</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 5.</u>		
First National Bank, Fries, Va. (Increase in capital)	6	6
<u>District No. 10.</u>		
Commercial National Bank, Kansas City, Kans. (Increase in capital, preferred)	270	270
	<u>Total</u>	<u>276</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u>		
Louisa National Bank, Louisa, Ky. (Decrease in surplus)	9	9
<u>District No. 6.</u>		
First National Bank, Tampa, Fla. (Decrease in surplus, partly offset by an increase in capital)	60	

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Applications for SURRENDER of Stock: (Continued)
District No. 6 (Continued).
Hamilton National Bank, Johnson City, Tenn.
(Decrease in surplus)

Shares

15	75
<u>Total</u>	<u>84</u>

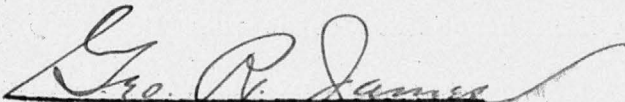
Approved.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman, Executive Committee.