

A meeting of the Federal Reserve Board was held in Washington on Thursday, October 19, 1933, at 11:10 a. m.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. Miller
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. Paulger, Chief of the Division of
Examinations
Mr. Chase, Assistant Counsel
Mr. Chamberlin, Federal Reserve Examiner

The Board considered and acted upon the following matters:

Telegraphic reply to a telegram dated October 18 from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, stating that the board of directors of the bank, at its meeting on that date, voted to establish, subject to review and determination of the Federal Reserve Board, rates of 4% per annum on advances to member banks under section 10(b) of the Federal Reserve Act, as amended by the Act of March 9, 1933, 4% per annum on advances to nonmember banks and trust companies under section 404 of the Act of March 9, 1933, as amended, and 4% per annum on advances to individuals, partnerships or corporations secured by direct obligations of the United States under section 13 of the Federal Reserve Act, as amended, effective on the first business day following that on which approved by the Board; and that no other changes were made in the bank's existing schedule of rates of discount and purchase. The reply stated that the Board approves for

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the Federal Reserve Bank of Boston the rates referred to, effective October 20, 1933.

Approved, and, there being no objection, the action of the directors of the Boston bank in making no other changes in the bank's existing schedule of rates of discount and purchase was noted with approval.

Telegraphic reply to a telegram dated October 18, 1933, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, stating that the board of directors of the bank, at its meeting on that date, made no change in the bank's existing schedule of rates of discount and purchase except the establishment of rates of 4% per annum on advances to member banks under section 10(b) of the Federal Reserve Act, as amended by the Act of March 9, 1933, 4% per annum on advances to nonmember banks and trust companies under section 404 of the Act of March 9, 1933, as amended, and 4% per annum on advances to individuals, partnerships or corporations secured by direct obligations of the United States under section 13 of the Federal Reserve Act, as amended, effective on the first business day following that on which approved by the Federal Reserve Board. The reply stated that the Board approves for the Federal Reserve Bank of Philadelphia the rates referred to, effective October 20, 1933.

Approved, and, there being no objection, the action of the directors of the Philadelphia bank in making no other changes in the bank's existing schedule of rates of discount and purchase was noted with approval.

Telegram to Mr. Stevens, Federal Reserve Agent at Chicago, referring to the application of the "Farmers State Bank", Charter Oak,

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Iowa, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Farmers State Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Reply to a letter dated July 29 from Mr. Stevens, Federal Reserve Agent at Chicago, inclosing the application of the "First National Bank of Freeport", Freeport, Illinois, for permission to act in all fiduciary capacities authorized under section 11(k) of the Federal Reserve Act. The reply stated that the Board has considered the application and, in view of the fact that the bank has been in operation since June 1, 1933, and current information regarding its assets and operations is not available and the further fact that the information concerning the past record of its cashier, who is one of the two active officers in charge of the bank's affairs, is unfavorable, the Board is unwilling at this time to approve the application, and requested that the agent advise the institution accordingly. The reply stated also that the Board will be pleased to consider a new application from the First National Bank of Freeport after an examination has been made of the institution by representatives of the Comptroller's office and a report thereof is available.

Approved.

Telegram to Mr. Curtiss, Federal Reserve Agent at Boston,

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replying to a letter dated October 17 from Mr. Gettemy, Assistant Federal Reserve Agent at Boston, inclosing an application of the Groveton National Bank, Groveton, New Hampshire, for 42 shares of stock of the Federal Reserve Bank of Boston, submitted in lieu of the bank's application for a like number of shares which was approved by the Board on October 2, 1933, and stating that it appears that the new application is necessary as a result of certain changes required by the Comptroller of the Currency in the organization papers of the new bank. The reply stated that the Board approves the amended application of the national bank for Federal reserve bank stock and revokes the approval granted on October 2 of the previous application.

Approved.

Reply on October 18, 1933, approved by six members of the Board, to a letter dated September 12 from Mr. Case, Federal Reserve Agent at New York, inclosing a copy of an office memorandum dated September 11 showing the status of the member banks in the Second Federal Reserve District which have suspended or been absorbed by other institutions but whose Federal reserve bank stock has not been canceled. The reply stated that, in view of the opinion of counsel for the Federal reserve bank that the cancelation of the Federal reserve bank stock outstanding in the name of the Midwood Trust Company, Brooklyn, New York, should be further deferred because of the Federal reserve bank's possible liability on a suit still pending, the Board has no objection to the agent waiting an additional period of six months from the date of the reply, whereupon, if the application has not been sent

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to the Board with the agent's recommendation for approval, it is requested that he make a further report and recommendation. The reply stated also that the Board advised the agent of the approval of the application of the conservator of the Harriman National Bank and Trust Company, New York, New York, on September 8, 1933, for the cancelation of that bank's Federal reserve bank stock, and that it is assumed that the Board will be advised of the action taken in the cancelation of this stock as soon as possible. The reply stated further that it is assumed that in due course an appropriate report and recommendation will be submitted to the Board, if necessary, in accordance with Regulation I, section II, paragraph (d), with respect to each of the four banks which has been absorbed by another institution; and in accordance with section II, paragraph (b), with respect to each of the five banks in receivership, listed in the memorandum inclosed with the agent's letter, and the First National Bank of Brockport, New York, referred to in the agent's letter, if the receiver of the bank does not, within six months from the date of his appointment, file an application for surrender and cancelation of the Federal reserve bank stock outstanding in the name of the bank.

Approved.

Reply to a letter dated July 15, 1933, from Mr. Walsh, Federal Reserve Agent at Dallas, requesting advice as to whether the Board has defined "usual commercial banking powers" as used in the Board's telegram of March 17, 1933 (Trans. 1695) in connection with the applications of State banks for membership in the Federal Reserve System. The reply

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stated that the Board has not attempted to define "usual commercial banking powers", although it may be noted that the primary functions of a commercial bank are the receiving of deposits and the making of loans; that, under the provisions of section 9 of the Federal Reserve Act, the Board is required in acting upon applications for membership to consider, among other things, whether or not the corporate powers exercised are consistent with the purposes of the Federal Reserve Act; and that, accordingly, since the laws of the various States confer upon State banks the right to exercise different powers, the Board before acting upon an application for membership wishes to be advised in each case as to the powers which the bank is authorized to exercise under the laws of the State under which it is organized and with particular reference as to any powers which may not be appropriate for banks admitted to membership, such as insuring or guaranteeing title to real estate, executing surety bonds, acting as warehouseman, or carrying on any class of business covered by the Federal Reserve Board's condition number 12. The reply stated also that it is desirable, therefore, for the counsel for the Federal reserve bank in each case to consider the powers which the bank is authorized to exercise and to call especial attention to any powers which may not be appropriate for a bank admitted to membership in the Federal Reserve System. The reply also called attention to the eleventh paragraph of the statement of "General Principles Applicable to Consideration of Applications for Membership in the Federal Reserve System" inclosed with the Board's letter of September 11, 1933, (X-7581).

Approved.

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Telegram to the governors of all Federal reserve banks stating that the Board is in receipt of a letter from Mr. W. A. Julian, Treasurer of the United States, reading as follows:

"I have been importuned since my acceptance of this office by banks from the several different cities, principally New York and Boston, to make some arrangements with the Federal Reserve Banks whereby bonds, that are presently kept in Washington in my department as security for postal savings deposits, could be kept in the different Federal Reserve Banks and where the banks could make exchanges and have their bonds serviced as to coupons, etc., instead of coming to Washington on this account.

"Will you be kind enough to consider this and take up with the Federal Reserve Banks and let me hear from you."

The telegram stated also that, in this connection, Governor Young of Boston has advised the Board that he is heartily in favor of Federal reserve banks acting as custodians for their member banks of Government obligations deposited as security for postal savings deposits, and requested that the governors advise the Board fully as to their views, with their suggestions respecting procedure and conditions under which such service might be rendered if they agree.

Approved.

Reply on October 18, 1933, approved by six members of the Board, to a letter dated October 7 from Honorable Wilbur J. Carr, Assistant Secretary of State, referring further to the negotiation of United States Treasury checks by foreign service officers and employees in Havana, Cuba, and inquiring whether arrangements could not be made whereby the Havana Agency of the Federal Reserve Bank of Atlanta would waive the one-tenth of one per cent commission being charged for transfer of funds between the United States and Cuba in connection with such checks. The reply stated that, except in special or emergency cases,

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the activities of the Havana Agency are confined to the receipt of currency from and the payment of currency to Havana banks in exchange for credit to or charge to the reserve account of a member bank at one of the reserve banks in the United States, and to denominational exchanges of currency; that a commission of one-tenth of one per cent is charged on the amount of each such transaction; and that, if the Havana Agency were to waive such charges with respect to Government checks for banks in Cuba it would to a corresponding extent result in such banks being able to obtain currency from the Havana Agency without cost to themselves. The reply stated also that, while the Board realizes that the amounts involved are relatively small and, if the Agency were to waive such charges, the effect upon the net cost of maintaining the Agency in Cuba would be slight, it nevertheless feels that it would be undesirable to change the procedure followed by the Havana Agency so as to permit any exceptions to the policy of charging a commission on all payments of currency to Havana banks.

Approved.

Reply on October 17, 1933, approved by six members of the Board, to a letter dated September 29 from Mr. Charles W. Collins, Washington, D. C., Counsel for the Northwest Bancorporation; the reply reading as follows:

"Receipt is acknowledged of your letter of September 29, 1933, in which you request to be advised (1) whether Northwest Bancorporation may file Exhibits 'I' and 'J' on photostat paper 6" x 9" instead of 8" x 10 $\frac{1}{2}$ ", and (2) whether it is necessary for it to file with the Federal reserve agent of each district in which a subsidiary member bank is located (other than the district in which the applicant's principal office is situated), a complete copy of the original application, including all exhibits, or

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"whether reports of examinations called for under Exhibit 'I' may be omitted in filing copies of the application with the Federal reserve agents of districts other than that in which the applicant's principal office is located.

"In regard to your first question, there is inclosed herewith a copy of the Board's letter of October 6, 1933, to Mr. J. N. Peyton, Federal Reserve Agent at Minneapolis, which relates to the subject of your inquiry and which is self-explanatory.

"Referring to your second question, the original and two executed counterparts of each application for a voting permit, including all exhibits, must be sent to the Federal reserve agent of the district in which the applicant's principal office is located, and the Board's Regulation P contemplates that a copy of each such application, including exhibits, will be filed with the Federal reserve agent of each other district in which a subsidiary member bank is located. However, in view of the numerous exhibits which an applicant holding company affiliate of a large number of subsidiary member banks and subsidiary nonmember banks must furnish with its application, the Board will not require the filing with the Federal reserve agent of each district in which a subsidiary member bank is located (other than the district in which the applicant's principal office is located) of a copy of each and every exhibit attached to any such application. In any such case, the Board will deem it sufficient if the applicant sends the original and two executed counterparts of the application, with all exhibits, to the Federal reserve agent of the district in which the applicant's principal office is located, and files with the Federal reserve agent of each other district in which a subsidiary member bank is located a copy of the application on F.R.B. Form P-1, together with such exhibits as may be necessary to disclose fully the relations between the applicant and the banks in the district in which such copy of the application is filed and to enable the Federal reserve agent of that district to determine the effect of such relations upon the affairs of such banks.

"Accordingly, it would seem that the Northwest Bancorporation should file with each copy of the application filed in any district other than that in which the applicant's principal office is located the reports of examinations called for by Exhibit I which contain information pertaining to the subsidiary member banks located in the district in which such copy is filed.

"It is understood that the applicant will furnish to any such agent, upon request therefor, any other information which is required under F.R.B. Form P-1 to be submitted with the original application."

Approved.

Governor Black then presented a revised draft of a letter to the Comptroller of the Currency which was considered at the meeting of

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the Board yesterday, with regard to the application of the Continental Illinois National Bank and Trust Company, Chicago, Illinois, for permission to reduce its common capital stock. The letter was discussed and amended to read as follows:

"The Board today approved the application of the Continental Illinois National Bank and Trust Company for a reduction of its common capital stock from \$75,000,000 to \$25,000,000, the \$50,000,000 reduction to be replaced by \$50,000,000 preferred stock to be sold to the Reconstruction Finance Corporation.

"In passing upon this application the Board has given consideration to the conditions remaining in the bank after such reduction of its common capital stock, and has reached certain definite conclusions which I am instructed to communicate to you.

"MANAGEMENT

"The Board is especially concerned in the question of management. This large bank is essential to the commercial life of the Midwest. It is entitled to the best management. Such management it has not had, and this fact is fully attested by its past record and its present condition. During the twelve years prior to March, 1933, it charged off from its assets an average of \$10,000,000 per year, an aggregate for this period of \$120,000,000. Since March it has charged off \$21,320,000. It is now proposed to charge off estimated losses of approximately \$50,000,000. This loss record, if continued, would result in wiping out the proposed common capital structure in three more years. This must be checked by proper management. In this connection, the latest available report of examination discloses that directors, officers, employees, and their interests owe this bank \$30,396,586, some of which is inadequately secured and some of which is improperly secured by stock of the bank, in addition to which the bank also has acquired a considerable amount of its own stock which it has held in contravention of law. It is understood that in addition to the bank's losses substantial amounts representing stock so loaned upon and held have been charged off.

"The trust relation of these officers and directors to this bank requires that adequate administrative steps be taken to avoid the recurrence of conditions of this kind. As you know, section 30 of the Banking Act of 1933 places definite responsibility upon your office and upon the Federal Reserve Board with respect to the management of member banks which continue unsafe and unsound practices relative to the conduct of the bank's business. In cases where unsafe or unsound practices are continued it becomes our duty to take definite action under the powers of this section. The Board in its views as to management is in thorough accord with your comments as set forth in your letter of July 20, 1933, to the board of directors of the bank. It is the hope of the Board that

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"notice of its attitude in respect to these matters will result in the early remedying of the situation.

"CONDITION

"The change in capital structure proposed, after the large charge-offs that have been and are to be made, will not result in a satisfactory financial condition in the bank, as there will remain some \$30,000,000 of doubtful assets, in addition to which the bank will be burdened by the existence of nearly \$170,000,000 of slow paper. The Board feels that this condition calls for the addition of at least \$25,000,000 of common capital, as the bank's depositors are entitled to this full margin of financial security as well as soundness in its management. The interests of the Midwest and of Chicago in this bank are too great to leave either of these steps open.

"The Board wishes to be kept advised currently as to steps taken or contemplated to accomplish what this bank needs for its success, and, to this end, if you have no objection, the Board will send a copy of this letter to the Federal Reserve Bank of Chicago with the request that it give these matters its close and unremitting attention."

Messrs. Paulger, Morrill and Wyatt were then requested to express their opinion as to the action which should be taken by the Board on the application. Mr. Paulger stated that the Division of Examinations recommended the capital reduction because it felt, in the circumstances, particularly after what has transpired, that this is about the only action the Board can take; that, if it were possible to do so, the Board would certainly be justified in taking its action approving the capital reduction only upon condition, or upon the firm understanding, that capable management would be placed in charge of the bank, because other corrections are merely treatments of symptoms and not causes; that the examiners' reports which have been reviewed by the Division of Examinations have consistently pointed out the serious condition of the bank, brought about by its poor management; that both Chief National Bank Examiners Leyburn and Taylor, during the past year, had stated to Mr. Paulger personally that, unless greater strength and ability were

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introduced into the bank to guide its affairs, its downward course would continue with nothing but eventual catastrophe to be expected; that there is nothing suggested in the present program of the bank that contemplates these necessary changes in management; and that he felt, therefore, that the real trouble will continue to exist no matter how much new money may be poured into an already bad situation.

Mr. Paulger also stated that he was not certain that the capital correction contemplated really would clean the bank; that while losses of approximately \$50,000,000 are being charged out and \$30,000,000 of the \$60,000,000 of doubtful assets eliminated, the fact that the examiner in his report of March 31, 1933 (and confirmed by his later statement in September, 1933) stated that "there is no doubt in your examiner's mind but that the major portion of the listed doubtful will develop into loss", caused him to wonder if there may not be some impairment in the remaining \$25,000,000 of common capital, particularly when one can consider that there is a reasonable chance of having a 20% to 25% loss in the \$170,000,000 of paper listed as slow; and that certainly the present stockholders might very properly be expected to contribute sufficient additional common stock or reserves so that, in the event there were additional losses growing out of the retained doubtful and slow paper, their removal would not impair the capital or reduce it below a satisfactory ratio to the bank's deposit liabilities.

Mr. Paulger added that the expenses of the bank are too high and the addition of \$50,000,000 of preferred stock will not help the

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"overhead" of a bank already loaded down with non-earning assets and an annual payroll running upwards of \$6,000,000; that not all the problems of the bank will be solved by the reduction of the common capital and the addition of preferred stock; and that unless such action is followed immediately by other and more important corrections in the bank, the present effort will soon call for duplicate or perhaps even larger contributions.

Mr. Morrill stated that he recommended approval of the reduction, in view of all the circumstances. He said that he felt some concern as to the circumstances under which the application came before the Board, and that he was very much impressed with the feeling that there is a difficulty in handling this and other cases because of the fact that certain actions are taken and commitments made which place the Board in the position as a practical matter of having to approve applications, notwithstanding the fact that the Board and members of its staff are not satisfied with the conditions presented for their consideration. He also added that the present situation might have been handled more effectively if it could have been considered by the Board before commitments were made, and, while the necessary corrections may yet be made, they will not be so easily accomplished.

Mr. Wyatt stated that the reorganization plan is a step in the right direction, but that it does not go far enough; that, in his opinion, the Board's action with respect to the further corrections to be made would be more effective if the Board's approval were made subject to conditions, so that the reduction would not become effective until

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after definite commitments are obtained from the bank to correct the criticized matters. He also stated that, even with such an understanding, he was not prepared to recommend approval of the application, because he was not familiar with the details of the case and was not sure that the reduced common capital would be unimpaired, and, in his opinion, the Board should not permit a reduction in the capital stock of a national bank unless the reduced capital is left unimpaired.

Mr. Morrill then commented that under the principles ordinarily applied by examiners in the consideration of such matters the reduced capital and surplus of the bank would be unimpaired at the present time as all losses shown by the examiners' reports would be charged off together with one-half of the assets classified as doubtful, and Mr. Paulger and Mr. Chamberlin agreed with this comment.

Following further discussion, Mr. Miller moved that the application of the Continental Illinois National Bank and Trust Company for permission to reduce its common capital stock from \$75,000,000 to \$25,000,000 be approved, subject to the conditions regularly imposed by the Board.

Carried, Mr. James voting "no".

Mr. Miller then moved that the letter quoted above be approved and transmitted to the Comptroller of the Currency.

Carried.

Mr. Morrill raised the question as to how the copy of the letter to the Comptroller of the Currency, above referred to, should be sent to the Federal Reserve Bank of Chicago in the event the Comptroller interposes no objection to such action, and he stated that it is

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assumed that it is the intention of the Board that the copy of the letter is to be brought to the attention of the board of directors of the Federal reserve bank. Governor Black stated that he had tentatively agreed to attend the next meeting of the board of directors of the Chicago bank in connection with a discussion of the question of participation by that bank in purchases of Government securities for System account, and that he would take the matter up with the board of directors of the Federal reserve bank at that time. All of the members of the Board present agreed that it would be desirable for the Board's letter to the Comptroller of the Currency to be brought to the attention of the board of directors of the Continental Illinois National Bank and Trust Company.

Attention was called to the action taken at the recent Governors' Conference in recommending to the Federal Reserve Board the reconstituting of the System Committee on Branch, Group and Chain Banking for the purpose of amending the report previously submitted by the committee, in the light of events which have transpired since the report was prepared and with the view that the amended report would be submitted to the Federal reserve banks and eventually published.

A discussion ensued, during which Mr. Morrill stated that it was his understanding that the copy of the committee report which was sent to Senator Glass at his request is now in the hands of Mr. H. Parker Willis; that the Brookings Institute has had correspondence with Senator Glass expressing a desire to have access to the report; that Senator Glass' office had requested an additional copy of the report so that

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he could make it available to the Institute; and that during the last few days of the last session of Congress Senator Glass had stated that he planned to have the report printed as a public document, but that he had not done so.

The suggestion was made that the Board obtain an estimate as to the probable cost of bringing the committee report up to date.

At the conclusion of the discussion, Mr. Hamlin moved that Mr. Goldenweiser be requested to submit to the Board an estimate of the probable cost of amending the report on branch, group and chain banking, in accordance with the recommendation of the Governors' Conference.

Carried, Messrs. Miller and James voting "no".

Reference was then made to the action taken at the recent Governors' Conference in voting that the Federal reserve banks may, with the approval of the Federal Reserve Board, continue officers or employees of the banks on their payrolls, with or without compensation, depending on the circumstances, in order that they may not be removed from the banks' rosters and thereby become ineligible for pensions.

During the ensuing discussion, question was raised as to whether the Federal reserve banks have the legal right to continue employees on their payrolls for the purpose suggested in the action of the Governors' Conference, and upon motion, the question was referred to Counsel for an opinion.

Governor Black then referred to the letters addressed by the Board to the Federal Home Loan Bank Board on July 21 and August 7, 1933, with regard to the similarity between the advertising symbol being used by members of the Federal Home Loan Bank System and the symbol which has been used for a number of years by banks which are members

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of the Federal Reserve System. He stated that letters had been received from the general counsel for the Federal Home Loan Bank Board dated August 7 and 19, 1933, stating that that Board had approved the use of the symbol being used by members of the Federal Home Loan Bank System; that the Federal Home Loan Bank Board feels there is no necessity for any confusion in the matter; but that, if the Federal Reserve Board desires to go further into the matter, the Federal Home Loan Bank Board is prepared to give it further consideration. Governor Black stated that he felt that the similarity between the two symbols is an important question, and that, if agreeable to the other members of the Board, he would take the matter up again with the Federal Home Loan Bank Board.

The other members of the Board present expressed agreement with the action proposed by Governor Black.

Mr. Szymczak then referred to a letter dated October 6, 1933, from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, which had been referred to the office of General Counsel for consideration, reading as follows:

"The provisions of the new banking act together with the various present activities concerning the banking structure, have imposed a very great increase in our legal work. This includes so much of every day consideration, including an unusual number of new membership applications, questions relating to affiliates, interpretation of the new banking act, and replying to a large number of inquiries coming to us from member banks relative thereto, that we have been hampered a good deal by not having someone at hand constantly to handle these matters particularly during present conditions.

"The General Counsel of this bank, as you know, is Carl Meyer of the firm of Mayer, Meyer, Austrian & Platt, to whom we pay an annual retainer of \$10,000, which has been in effect for some years. Practically all of the legal work of the character above

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"mentioned has been handled by one of his juniors, Charles B. Dunn, who has been very satisfactory in this connection. Indeed, during all this year we have had to use the major part of his time.

"I have now made an arrangement with Mr. Meyer by which he will designate Mr. Dunn to devote all of his time to this bank and have his office here with us on a temporary basis, in order that we may have first call on Mr. Dunn and at the same time still have the same relations with Mr. Meyer, General Counsel, as we have heretofore had. To this end, we have determined to make this arrangement for the balance of this year and with an increase in the compensation to our General Counsel at the rate of \$5,000 per annum during the period of this particular service. This does not commit us to any permanent arrangement and Mr. Dunn will still be the representative of Carl Meyer but in this much more effective way.

"Our executive committee at its meeting today unanimously approved this action which I am submitting to you for your approval as to this additional compensation during this period. We may find it necessary to continue it longer if conditions warrant at that time, but the arrangement is only temporary at present.

"If you can properly do so, I should appreciate early approval and notification to me by wire, because we should like to have this arrangement start immediately."

Mr. Szymczak stated that he had received a telegram this morning from Mr. Stevens calling attention to the fact that he had had no reply to his letter and stating that the bank is prepared to conclude the proposed arrangements and considers it advisable that the exclusive services of Mr. Dunn be obtained at the earliest possible date on account of the press of matters in the bank, but that the bank had taken no action awaiting the Board's approval of the additional compensation referred to in the above letter.

During the ensuing discussion, Mr. Wyatt stated that the firm of Mayer, Meyer, Austrian and Platt has been counsel for the Federal Reserve Bank of Chicago for a number of years, that the services rendered by Mr. Dunn have been reasonably satisfactory, and that it is felt that if he could concentrate on the work of the Federal reserve bank

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his services would be entirely satisfactory. Mr. Wyatt also stated that it has been apparent frequently, however, that the firm of Mayer, Meyer, Austrian and Platt, and also Mr. Dunn, have been hampered in their service to the Federal reserve bank by the fact that the firm is counsel also for the Continental Illinois National Bank and Trust Company, and that, in his opinion, serious consideration should be given to the question whether Mr. Dunn should be requested to sever his connection with the firm of Mayer, Meyer, Austrian and Platt and act as counsel for the Federal reserve bank exclusively, or whether the Chicago bank should engage some other attorney to give his full time as counsel for the bank.

At the conclusion of the discussion, the matter was referred to the committee on District No. 7, for recommendation to the Board.

Governor Black then referred to the application filed by the Commercial National Bank of Chattanooga, Tennessee, for permission to exercise trust powers. He stated that the Comptroller of the Currency had originally suggested that action on the application be delayed until the public reaction to the facts brought out in a suit against certain officers of the old First National Bank of Chattanooga, to which institution the applicant bank is successor, and the effect of the suit on the applicant, are evident, but that the Comptroller has since discussed the matter with the attorney for the bank and the examiner for the Reconstruction Finance Corporation and, on the basis of the representation that the suit has had no unfavorable effect upon the bank and that, although certain of its officers were connected

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with the First National Bank, the public has not lost confidence in them by reason of that fact, the Comptroller now recommends approval of the application. He also stated that the new institution is sponsored by some of the most substantial citizens in Chattanooga, that approval of the application is recommended by the Federal reserve agent and the Executive Committee of the Federal Reserve Bank of Atlanta, and that he concurred in that recommendation. The statement was also made that the application had been considered by the Board's Division of Examinations, which recommended that, in view of the good condition of the bank, the fact that a new executive manager has been installed, and the favorable recommendation of the Comptroller of the Currency and the Federal reserve agent, the application be approved.

The Secretary was requested to address a letter to the Commercial National Bank of Chattanooga, advising that the Board approves its application 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, 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 Tennessee, 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 to state also that the Board feels that the bank should not take over any trusts from the First National Bank of Chattanooga, the execution of which might react unfavorably upon the bank, and further feels that if the bank is tendered any of the trusts now held by the First National Bank, it should carefully scrutinize the condition of the trusts and should not accept any of such trusts which, through their assumption, may be detrimental to the interests of the applicant.

Mr. James then moved that the Secretary's Office be requested

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to order an additional number of chairs for the Board Room so that when special meetings are held it will not be necessary to remove the chairs from the Board's other offices.

Carried.

Thereupon the meeting adjourned.

P. Esterhuysen
Secretary.

Approved:

E. R. Black
Governor.

The rate of the establishment...
of the...
October 20, 1933.

Thereupon the meeting adjourned.

E. R. Black