

A meeting of the Federal Reserve Board was held in Washington on Tuesday, November 7, 1933, at 3:00 p. m.

PRESENT: Mr. Black, Governor  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Thomas  
Mr. Szymczak  
Mr. O'Connor

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. Morrill presented a letter dated November 6, 1933, from Mr. W. S. Logan, Deputy Governor and General Counsel for the Federal Reserve Bank of New York, stating that, because of the increase in the legal work of the bank, the board of directors had voted to appoint Mr. Felix T. Davis as assistant counsel for the bank, effective when he assumes his duties, and requesting approval by the Federal Reserve Board of a salary at the rate of \$4,800 per annum, fixed by the board of directors for Mr. Davis. In connection with Mr. Logan's letter, Mr. Wyatt stated that Mr. Davis had recently made application to him for a position in the office of Counsel for the Federal Reserve Board; that he had made an investigation with regard to Mr. Davis, the results of which he outlined for the information of the members of the Board; and that he recommended approval.

After discussion, the salary at the rate of \$4,800 per annum fixed by the board of directors of the New York bank for Mr. Davis was approved.

Mr. Wyatt then referred to a letter dated October 30, 1933, from Mr. Walter Perry, Commissioner of Banking of the State of Connecticut, with

11/7/33

-2-

which he inclosed copies of two opinions rendered by the Deputy Attorney General of Connecticut holding that, notwithstanding the express authorization of State law, mutual savings banks in that State cannot join the Federal Reserve System for the reason that under the law they cannot subscribe for stock in the Federal Deposit Insurance Corporation, and that State banks and trust companies may join the Federal Reserve System only on condition that the Federal Reserve Board will agree to permit such banks to withdraw from membership in the System prior to July 1, 1934, so that they will not be required to qualify as shareholders of the Insurance Corporation. Mr. Wyatt stated that in his judgment both of the opinions are incorrect, but that the Bank Commissioner of Connecticut is bound thereby, and he requests in his letter that the Board enter into agreements with him to the effect that State banks and trust companies in Connecticut which are admitted to membership in the Federal Reserve System will be permitted to withdraw before July 1, 1934, upon request of the State Bank Commissioner.

The matter was discussed briefly and Mr. Wyatt was requested to prepare a reply to Mr. Perry's letter in accordance with the discussion.

Mr. Thomas, as Chairman of the Committee on District No. 10, submitted the following report which, at his request, was read:

"The undersigned member of the Committee on District No. 10 recommends the following appointments:

"1. That Edward P. Brown of Davey, Nebraska be appointed Class C Director of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1934.

"2. That J. B. Doolin of Alva, Oklahoma be appointed Class C Director of the Federal Reserve Bank of Kansas City, Missouri to fill the unexpired term of H. M. Langworthy, which term expires December 31, 1934.

"3. That Mr. M. L. McClure be designated as Chairman of the Board of Directors of the Federal Reserve Bank of Kansas City, and as Federal Reserve Agent for the year 1934.

"4. That Merritt W. Gano of Denver, Colorado be appointed Director of the Denver Branch of the Federal Reserve Bank of Kansas City, Missouri for a term of three years beginning January 1, 1934.

"5. That J. B. Doolin of Alva, Oklahoma be appointed a Director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City, Missouri for a term of three years beginning January 1, 1934.

"6. That D. M. Hildebrand of Seward, Nebraska be appointed a Director of the Omaha Branch of the Federal Reserve Bank of Kansas City, Missouri for a term of three years beginning January 1, 1934.

"Referring to the recommendations in District No. 10 it will be observed that no changes are recommended as to any present incumbents.

"Mr. James concurs with me as to all recommendations except the vacancy caused by the resignation of Mr. Langworthy. He feels that in view of the circumstances under which Mr. Petrikin was denied reappointment, that directorship should now go to Colorado.

"I have endeavored to base my recommendations upon considerations of merit.

"Mr. Doolin was first appointed a member of the board of directors of the Oklahoma Branch on the recommendation of Messrs. Cunningham and Young. After serving three years he was reappointed for another term which will expire December 31, 1933.

"I am advised that his attendance has been quite regular, his services very satisfactory, and that he is very highly regarded as a member of that board.

"I have pursued such avenues as were available to ascertain his qualifications.

"Mr. W. T. Kemper, Member of the Advisory Council of the Federal Reserve Bank of Kansas City recommended Mr. Doolin very highly, stating that he knew of no one better qualified to judge values and credits in Kansas and Oklahoma.

"I discussed the subject with Governor Hamilton and every member of the Kansas City Board except Mr. Phillips, and feel assured Mr. Doolin will cooperate with them in entire harmony, and will add strength to the Board.

"Mr. Doolin has been an outstanding citizen. He has been associated as officer and director with some of the leading industries and financial institutions in Oklahoma and Kansas, all of which have been successfully managed, and he has been successful in his own affairs.

"I feel that his services have entitled him to the promotion I have recommended."

Mr. James, the other member of the Committee on District No. 10, then

11/7/33

-4-

58

submitted the following report which was also read:

"I am submitting this minority report only because I cannot agree with my colleague on the Committee as to the appointment of the Class C Director at the Federal Reserve Bank of Kansas City to fill out the unexpired term of Mr. H. M. Langworthy, which term expires on December 31, 1934. I am in full and hearty agreement as to the other appointments submitted by Chairman Thomas.

"My inability to agree with Mr. Thomas as to this one appointment is predicated not upon any criticism of Mr. Doolin, nor should it be taken as in any sense reflecting upon that gentleman for whom I have a very high regard, but it is the result of my feeling that the dropping of Mr. Petrikin from this position and the substitution of Mr. Langworthy for the place was because of a policy adopted by the Federal Reserve Board which provided for an additional Director to come from Kansas City rather than from some other point in the District.

"At the time the appointment of Mr. Langworthy as successor to Mr. Petrikin was suggested much time was given to a discussion and consideration of the problem with especial stress being laid upon the fact that six of the Directors of each of the Federal Reserve Banks are elected by vote of the member banks and only three of the Directors were serving by appointment from the Federal Reserve Board and thereby representing especially the interests of the Government, the Federal Reserve Board and the outside public in the welfare of the bank.

"It will no doubt be remembered by some of the older members of the Board that Mr. Petrikin and many of the citizens of that part of the District from which Mr. Petrikin came, to-wit, Colorado and the territory devoted to the production of sugar beets, were very much upset by the failure of the Board to reappoint Mr. Petrikin, but upon assurances that the change was not made because of any dissatisfaction with Mr. Petrikin or a desire to curtail the representation from that section on the Board of Directors but merely because of the Board's adoption of the policy which it felt placed the Federal Reserve Board in closer contact with the Federal Reserve Bank at Kansas City, these gentlemen withdrew their protests and gracefully acquiesced in the position the Board had taken.

"At the meeting of the Federal Reserve Board on November 1st, the Comptroller of the Currency, Mr. O'Connor, offered a motion that there be no discrimination in this District by this Board limiting the choice of Class C Directors. This motion was put by the Chair and duly carried.

"With the understanding that this resolution revokes the Board's former position as to the policy involved in the appointment at Kansas City, and feeling that in the now existing circumstances the Board is under obligations to the citizens in the territory from which Mr. Petrikin came, I, therefore, wish to place

11/7/33

-5-

59

"in nomination before the Board the appointment of Mr. Wm. M. Bond of Denver to fill out the term expiring December 31, 1934."

Governor Black stated that the names of Mr. Doolin and Mr. Bond were in nomination for appointment as class C director of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1934.

Votes were cast by the members present with the following results:

For Mr. Doolin: Mr. Hamlin, Mr. Thomas, Mr. Szymczak,  
Mr. O'Connor.

For Mr. Bond: Governor Black, Mr. Miller, Mr. James.

The following actions were then taken:

Mr. J. B. Doolin of Alva, Oklahoma, was appointed a class C director of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1934. Mr. Doolin was also reappointed a director of the Oklahoma City branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1934.

In connection with the appointment of Mr. Doolin as class C director of the Federal Reserve Bank of Kansas City, Mr. James and Mr. Thomas were authorized to transmit to the chairman of the Kansas City Bank and to Mr. Doolin copies of the reports submitted to the Board as quoted above.

Mr. Edward P. Brown was reappointed a class C director of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1934.

Mr. M. L. McClure was redesignated chairman of the board of directors of the Federal Reserve Bank of Kansas City and Federal reserve agent for the year 1934.

Mr. Merritt W. Gano was reappointed a director of the Denver branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1934.

Mr. D. M. Hildebrand of Seward, Nebraska, was reappointed a director of the Omaha branch of the Federal Reserve Bank of Kansas City for a term of three years beginning January 1, 1934.

Mr. O'Connor referred to the recommendation submitted by the Committee on District No. 12 at the meeting of the Board on November 1, 1933, that Mr. C. B. Voorhis be reappointed a director of the Los Angeles branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1,

11/7/33

1934, and he stated that he had found, upon inquiry, that Mr. Voorhis is entirely acceptable to the banking interests of southern California and Los Angeles, and that he concurs in the Committee's recommendation.

Accordingly, Mr. Voorhis was reappointed a director of the Los Angeles branch of the Federal Reserve Bank of San Francisco for a term of two years beginning January 1, 1934.

Further reference was then made to the letter dated October 19, 1933, from Mr. Harrison, Governor of the Federal Reserve Bank of New York, with regard to his serving as a director of the Bank for International Settlements, and there was read to the meeting a memorandum prepared by Mr. Wyatt, General Counsel, under date of November 7, 1933, expressing the opinion that, while there is no provision of law specifically forbidding a governor of a Federal reserve bank to serve as a director of the Bank for International Settlements, it would seem clear that such service would conflict in many ways with the provisions of Section 14(g) of the Federal Reserve Act, and would render it impossible for the Board effectively to discharge the duties imposed upon it by that Section. The memorandum also stated that if, notwithstanding Mr. Wyatt's opinion, the Board should decide to permit Governor Harrison to become a director of the Bank for International Settlements, it is recommended that the granting of such permission be conditioned upon the Board of Directors of the Bank for International Settlements adopting a resolution of agreement along the lines suggested in the memorandum.

After a further discussion, it was moved, as an amendment to the motion made by Mr. Miller at the meeting of the Board yesterday, that the Board take the position that Mr. Harrison should not accept appointment as a director of the Bank for International Settlements, and that Governor Black and Mr. Miller be requested to prepare a letter to Governor Harrison, for consideration by the Board, advising him of

11/7/33

-7-

61

the action taken.

Carried.

The minutes of the meetings of the Federal Reserve Board held on October 9, 10, 12, 16, 17, 18, 19, 25, 26, and 30, 1933, were approved.

The minutes of the meetings of the Federal Reserve Board with governors of Federal reserve banks held on October 10 and 12, 1933, were approved.

The Board then considered and acted upon the following matters:

Telegram dated November 6, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by six members of the Board, referring to the application of the "Dickinson Trust Company", Richmond, Indiana, 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 Dickinson Trust Company, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon. The telegram stated also that it has been noted that the resolution of the bank's board of directors adopted in this connection authorizes the president or the cashier to apply for cancelation of the Federal reserve bank stock, while the application which the agent has forwarded to the Board has been executed by the vice-president, and that it is suggested that the agent obtain and forward to the Board an authorized application before such stock is canceled by the Federal reserve bank and a refund made thereon.

Approved.

Letter to Mr. Newton, Federal Reserve Agent at Atlanta, stating

11/7/33

that the Board approves the application of R. N. Sims, Special Agent for the State Banking Department of Louisiana, and J. Edward McGuire, Liquidator, for the cancelation of 3,300 shares of stock of the Federal Reserve Bank of Atlanta outstanding in the name of the Hibernia Bank and Trust Company, New Orleans, Louisiana, and revokes its approval, granted on March 14, 1933, of the application of the Hibernia Bank and Trust Company for the cancelation of 600 shares of Federal reserve bank stock.

Approved.

Reply on November 6, 1933, approved by six members of the Board, to a letter dated September 29 from Mr. J. B. Anderson, Assistant Federal Reserve Agent at Cleveland, with which he inclosed a letter from counsel for the Federal reserve bank discussing the rule incorporated in the savings passbook of the Union Trust Company of Pittsburgh, Pennsylvania, providing that withdrawals in excess of a specified amount will be subject to thirty days' notice, and requested advice as to whether this rule is in harmony with the Board's Regulation Q, and particularly whether the specification of the maximum amount which may be withdrawn from a savings deposit without notice may properly be termed a "portion or percentage" as that term is used in section VI of Regulation Q. The reply stated that, after careful consideration of this question, it is the view of the Board that the word "portion" as used in section VI of Regulation Q is to be interpreted as including a specified amount and that a member bank may pay any specified amount of the savings deposit of any depositor without requiring notice of intended withdrawal provided that, upon request and without requiring such notice, it shall pay the same specified amount of the savings deposits of every other depositor which



11/7/33

-9-

are subject to the same requirement; and that the period during which such specified amount may be withdrawn under the conditions stated may be prescribed by the bank, but that the requirements of paragraphs (b) and (c) of section VI of the regulation relating to changes in the practice of a member bank with respect to the withdrawal of savings deposits, as well as the other provisions of this section, must be observed. The reply stated also that it does not appear, however, from the information submitted to the Board that the regulations of the Union Trust Company of Pittsburgh contain a provision subjecting the deposits in question to at least thirty days' notice in writing prior to withdrawal or a reservation of the right to require such notice, as required by the definition of savings deposits contained in the Board's Regulation Q; that, in order that the deposits in question may be considered savings deposits, the bank's regulations should be modified so as to include at least a reservation of the right to require not less than thirty days' notice in writing before any withdrawal is made from a savings deposit; and that, in connection with the statement in the rules of the trust company that all notices will be canceled if money is not drawn within fifteen days after expiration of notice, attention is invited to subsection (f) of section V of Regulation Q, with respect to the payment of interest after the expiration of the period of notice.

Approved, together with letters dated November 6, 1933, also approved by six members of the Board, to Mr. J. H. Miner, Vice President of the First National Bank of Seattle, Washington, and to all Federal reserve agents, advising of the ruling with regard to the interpretation of the word "portion" set forth in the above letter; the letter to Mr. Miner also stating that, with regard to his inquiry as to the scope of the phrase "subject to the same requirement" as used in subparagraph (a) of section VI of

11/7/33

-10-

64

Regulation Q, no case has been submitted to the Board for consideration in which the determination of that question has been material, and, accordingly, the Board has not had occasion to express an opinion in the matter.

Telegram dated November 6, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by six members of the Board, with regard to the application of the Seaboard National Securities Corporation, Los Angeles, California, for a permit to vote the stock of the Seaboard National Bank of Los Angeles, and to a telegram dated November 2 from Mr. Charles L. Marble, Secretary of the Seaboard National Securities Corporation, requesting the Board's action on the voting permit by November 10, 1933. The Board's telegram requested that the agent advise Mr. Marble that it will be impossible for the Board to act upon the application for a voting permit by November 10, and that, among other reasons, Mr. George L. Browning of Los Angeles has requested the right to be heard in opposition to the issue of the permit, and the Board has granted him the right to submit statements to the Federal Reserve Agent at San Francisco on or before November 8, 1933.

Approved.

Letter to Honorable Jesse H. Jones, Chairman of the Reconstruction Finance Corporation, reading as follows:

"The Federal Reserve Board desires to expedite in every way possible its action upon matters which require its consideration, particularly in connection with cases which involve the recapitalization and reorganization of State and national banks. As you may know, the principal classes of such cases which, under the law, must be submitted to the Federal Reserve Board for approval before contemplated action becomes finally effective are as follows:

"1. REDUCTIONS OF CAPITAL STOCK OF NATIONAL BANKS.

"No reduction can be made effective until it has been approved not only by the Comptroller of the Currency but by the Federal Reserve Board.

"2. TRUST POWERS OF NATIONAL BANKS.

"No national bank may exercise trust powers until a permit therefor has been granted by the Federal Reserve Board, and the exercise of such powers is subject to regulations of the Federal Reserve Board.

"3. ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM.

"No state bank or trust company may be admitted to membership in the Federal reserve system until its application has been approved by the Federal Reserve Board and it has complied with such conditions as the Board may impose as a prerequisite to admission to membership.

"4. VOTING PERMITS FOR HOLDING COMPANY AFFILIATES.

"No corporation, business trust, association, or other similar organization which comes within the definition of the term 'holding company affiliate' in section 2 of the Banking Act of 1933 can vote at any election of directors or in deciding any question at any meeting of shareholders of a state bank which is a member of the Federal reserve system or of a national bank, unless prior thereto it has received a voting permit issued by the Federal Reserve Board.

"In determining the action which it should take in each of these classes of cases it is necessary for the Federal Reserve Board to be informed fully as to the corporate powers and set-up, the character of business, the financial condition, the management, and other material aspects of the affairs of the institutions involved. For this purpose there must be available to the Board the reports of recent examinations and audits, the legal documents involved, and all other pertinent information, which of course it is necessary to consider carefully.

"In some instances it has appeared that the institutions concerned had not been advised as to the necessity for the Board's approval or had assumed that such approval was a mere matter of form, and the Board has been importuned to grant applications immediately without independent study or investigation, upon the ground that final consideration had already been given to them by the Reconstruction Finance Corporation, the Comptroller of the Currency and others, and that the consumption of any further time or any possibility of adverse action by the Board would result in serious inconvenience or embarrassment. In some of these cases the Board has been advised that announcements had been made of plans or commitments or proposed meetings of shareholders before

"the Board was informed fully as to the exact details of the matters upon which its action was necessary.

"Nevertheless, in some of these cases the Board has found that it must withhold its approval, or condition its approval upon the observance of certain requirements, or at least, in connection with its approval, point out unsatisfactory conditions.

"In an effort to avoid to some extent the recurrence of such difficulties, the Board is advised that steps have been initiated informally which, if carried out, will result in the Comptroller's office and the division of examinations of the Federal Reserve Board being informed promptly of recommendations of the division of examinations of the Reconstruction Finance Corporation before action thereon or announcement of any commitment with respect thereto by the corporation in connection with applications of national banks for subscriptions to preferred stock under plans which involve reductions in existing capital stock. The details of this arrangement are now being worked out.

"If comparable arrangements could be made with respect to all of the classes of cases referred to in this letter it is believed that considerable progress could be made in the elimination of many difficulties of the kind which have occurred heretofore.

"Therefore it will be appreciated if you will make arrangements under which the division of examinations of the Federal Reserve Board will be informed at the earliest practicable opportunity in advance of action by the corporation upon any case involving any of the matters falling within the four classes enumerated above, in order that the Board may be prepared to expedite its action thereon. To that end Mr. Paulger, chief of the division of examinations of the Federal Reserve Board, will be requested to confer with the chief of your division of examinations or such other representative as you may designate with respect to the details of the procedure involved."

Approved.

Reports of Standing Committee, dated November 6 and 7, 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. 4.</u>		
First National Bank, Kinsman, Ohio.	36	36
<u>District No. 7.</u>		
First National Bank at Swayzee, Indiana.	36	36
	<u>Total</u>	<u>72</u>

11/7/33

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u>		
First National Bank, Miami, Florida. (Decrease in surplus)	60	
First National Bank, Hattiesburg, Miss. (Decrease in surplus)	<u>60</u>	120
<u>District No. 8.</u>		
First National Bank, Sumner, Illinois. (Decrease in surplus)	21	21
<u>District No. 9.</u>		
First National Bank, Dickinson, N. D. (Decrease in surplus)	<u>18</u>	<u>18</u>
	Total	159

Approved.

Thereupon the meeting adjourned.

Walter Merrill

Secretary.

Approved:

E. R. Black  
Governor.