A meeting of the Federal Reserve Board was held in Washington on Saturday, November 11, 1933, at 10:40 a. 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. Wingfield, Assistant Counsel
Mr. Leonard, Federal Reserve Examiner

Governor Black reported briefly on his attendance at the annual meeting of the stockholders of the Federal Reserve Bank of Boston, which was held in Boston yesterday.

Governor Black then stated that while he was in Boston he discussed with Governor Young, and with Mr. Curtiss, Chairman of the bank, the present situation with regard to the Merrill Trust Company, Bangor, Maine, whose application for membership in the Federal Reserve System was approved by the Board on October 30, 1933, subject to certain conditions; that Messrs. Young and Curtiss were very much concerned with regard to the institution, as there was definite evidence of loss of public confidence in the bank; and that Governor Young had called him on the telephone this morning and advised that the bank had lost $490,000 of deposits yesterday. Governor Black added that upon receipt of this information he had called Mr. Harvey Couch, director of the Reconstruction Finance Corporation, and had requested him to look into the matter to see what could be done by the corporation to save the bank, and that he also planned to confer further with Mr. Couch and the Governor and
Chairman at the Federal Reserve Bank of Boston to see what, if any, action can be taken in the circumstances.

Mr. Thomas stated that since the meeting of the Board on October 16, 1933, he and Governor Black had discussed on various occasions with the representatives of the Union Trust Company of Baltimore, Maryland, and with the representatives of the Dissenting Depositors' Committee, the proposed plan of reorganization of the trust company in connection with its application for membership in the Federal Reserve System, and that the trust company had advised in a letter dated November 8, 1933, signed by Mr. B. H. Brewster, Jr., President, that certain changes, outlined in the letter, will be made in the proposed plan. Mr. Thomas also stated that he had discussed the revised plan with the individual members of the Board and that it was understood that the application for membership would be given further consideration at this meeting.

There followed a detailed discussion of the effects of the proposed changes in the plan, which was interrupted by advice from Mr. Thomas' secretary that representatives of the Dissenting Depositors' Committee were in his office. Mr. Thomas withdrew from the room for the purpose of discussing with the representatives of the Committee the changes in the plan of reorganization of the Union Trust Company, submitted in Mr. Brewster's letter. Consideration of the application of the trust company for membership was deferred pending a further report from Mr. Thomas.

The minutes of the executive session of the Federal Reserve Board held in the office of Governor Black on November 9, 1933, were then approved.

At this point, Mr. O'Connor withdrew from the meeting, following
which the Board considered and acted on the following matters:

Letter dated November 6, 1933, from Governor Young of the Federal Reserve Bank of Boston, reading as follows:

"I am sending you herewith a copy of a letter which I am sending today to Governor Harrison, Chairman of the Federal Open Market Committee, advising him of this bank's decision not to make at this time a commitment to participate in the System purchases of Government securities covered by the vote adopted at the meeting of the Federal Open Market Committee on October 10, and the Board's telegram of October 12, 1933, authorizing the Executive Committee to proceed with such purchases. I am also enclosing a copy of the resolutions adopted by our board of directors at their meeting on November 1, pursuant to which the notice is given.

"As stated in my letter to Governor Harrison, the action of our board of directors was taken after I acquainted them with the discussion which took place at the meeting of the Federal Open Market Committee on October 10, with regard to participation by the Federal Reserve Bank of Chicago, the point being made at such meeting that, inasmuch as Chicago had not notified the committee or the Federal Reserve Board within the prescribed time, they were obligated to participate.

"As also stated in my letter to Governor Harrison, this action was taken by our board of directors not because of lack of cooperation in the System's program but to safeguard the bank against any commitment. You will observe that in the last paragraph of the resolutions I have been instructed to advise the Federal Open Market Committee and the Board of this bank's willingness to have offered to it from week to week a share of the purchases made or proposed to be made by the Executive Committee for the System account, and you will note that in my letter to Governor Harrison I have invited the committee to offer this bank its pro rata share or more of each week's purchases made or proposed to be made by the Executive Committee for the System account."

Noted.

Reply sent with the approval of six members of the Board on November 8, 1933, to a telegram dated November 7 from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, advising that the board of directors of the bank, at its meeting on that date, established rates of 4½ per annum on ad-
Advances to member banks under section 10(b) of the Federal Reserve Act, on advances to individuals, partnerships and corporations secured by direct obligations of the United States under section 13 of the Federal Reserve Act, as amended, and on advances to nonmember banks and trust companies under section 404 of the Act of March 9, 1933, all effective as of the first business day following that on which approved by the Federal Reserve Board; no change having been made in the bank's existing rate of 3\% covering discounts for member banks and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act. It was stated for the record that the rate of 4\% fixed by the board of directors on 10(b) loans did not comply with the requirement of section 10(b) of the Federal Reserve Act, that the rate charged on loans made under that section be not less than 1\% higher than the highest discount rate, and that the rate fixed on loans to nonmember banks did not comply with the provisions of section 404 of the Act of March 9, 1933, as amended, which requires that advances made under that section shall be subject to the same terms as loans to member banks under section 10(b); that the Chairman of the Federal Reserve Bank of Dallas was advised of this fact; and that on November 8, 1933, Mr. McKinney, Governor of the Federal Reserve Bank of Dallas, advised that it would be satisfactory if the Board deferred action on the new rates pending the next meeting of the board of directors. Accordingly, the reply stated that the Board notes with approval that the board of directors of the Dallas bank, at its meeting on November 7, made no change in the discount rate of the bank covering discounts for member banks and advances to member banks under sections 13 and 13(a) of the Federal Reserve Act, and
that, in accordance with the telephone conversation with Governor McKinney on that date, the Board will defer action on the new rates fixed by the board of directors, with the understanding that the matter will be considered by the directors of the bank at their next meeting and the Board advised of the action taken.

Approved.

Letter dated November 9, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated November 9, 1933, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, and Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, and November 10, 1933, from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland, and Mr. Clark, Assistant Federal Reserve Agent at Atlanta, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated November 6, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Mr. Floyd W. Bush and his designation as an assistant Federal reserve examiner, with salary at the rate of $3,600 per annum; the recommendation having been approved by six members of the Board on November 9, 1933.

Mr. Bush was appointed an examiner for all purposes of the Federal Reserve Act, as amended, and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Federal Reserve Board; and was designated an assistant Federal reserve examiner, with salary at the rate of $3,600 per annum; all effective as of the date upon which he enters upon the performance of his duties.
Memorandum dated November 6, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Mrs. Betty B. Weadon as a stenographer in the division, with salary at the rate of $1,560 per annum, effective as of the date upon which she enters upon the performance of her duties; the recommendation having been approved by six members of the Board on November 8, 1933.

Approved.

Memorandum dated November 8, 1933, from Mr. Goldenweiser, Director of the Division of Research and Statistics, transmitting and recommending acceptance of the resignation of Mrs. Lucile Erway as a stenographer in the division, effective as of the close of business November 7, 1933.

Accepted.

Memorandum dated November 4, 1933, from Mr. Paulger, Chief of the Division of Examinations, setting forth the reasons why, in his opinion, it would be desirable for the Federal reserve agent at each Federal reserve bank to assign to the Board's Division of Examinations in Washington a capable, experienced examiner from the examination division of the bank who could work in the Board's division for two or three months with the understanding that he would be returned to the Federal reserve bank at the end of the period or earlier if his services are not needed, and with the further understanding that the salary and expenses of the examiner while in Washington would be paid by the Federal reserve bank. The memorandum stated also that Mr. Paulger had discussed the matter with all of the Federal reserve agents and each had expressed the opinion that it would be a particularly desirable thing to do, although two or three of the agents had indicated that it might be difficult to arrange for the release of an ex-
Experienced examiner just at this time, but that careful consideration would be given to the matter and the Board advised if it will be possible to assign an examiner, and, in the event the decision is favorable, the name of the examiner to be sent. Mr. Paulger's suggestion was approved by six members of the Board on November 9, 1933, with the understanding that as advice is received from each Federal reserve agent with regard to the examiner he proposes to assign temporarily to the Board's Division of Examinations in accordance with Mr. Paulger's suggestion, a letter will be dispatched to the agent by the Secretary asking that the examiner be assigned for a period of sixty or ninety days, the salary and expenses of the examiner while in Washington to be borne by the Federal reserve bank.

Approved.

Telegraphic reply on November 10, 1933, approved by six members of the Board, to a letter dated November 6, 1933, from Mr. Curtiss, Federal Reserve Agent at Boston, requesting approval of the temporary appointment of Mr. Frederick A. Harris as an assistant examiner in the Federal reserve agent's department of the Federal Reserve Bank of Boston, with salary at the rate of $2,100 per annum, effective November 6, 1933. The reply stated that the Board approves the temporary appointment referred to with salary at the rate stated.

Approved.

Reply on November 7, 1933, approved by six members of the Board, to a letter dated October 30 from Mr. Williams, Federal Reserve Agent at Cleveland, recommending that Mr. David G. Watterson, who was appointed assistant examiner in the Federal reserve agent's department of the Federal Reserve Bank of Cleveland at the salary rate of $2,400 per annum, effective
April 6, 1933, be designated as junior examiner, with salary at the rate of $3,000 per annum, effective December 1, 1933. The reply stated that, inasmuch as the revised plan of personnel classification for the bank examination department of the agent's office does not provide for junior examiners, it is assumed that the agent intended that Mr. Watterson be advanced to classification PRE 2 in which the maximum salary rate is $4,500 per annum; and that, accordingly, and in view of the agent's statements concerning the character of his work during the past six months, the Board approves the designation of Mr. Watterson as examiner in the Federal reserve agent's department of the Cleveland bank, with salary at the rate of $3,000 per annum, effective as of December 1, 1933.

Approved.

Letter dated November 10, 1933, to Mr. Attebery, Deputy Governor of the Federal Reserve Bank of St. Louis, approved by six members of the Board, stating that, in accordance with the recommendation contained in his letter of November 4, the Board approves a change in the personnel classification plan of the Memphis branch to provide for a change from "chief clerk" to "clerk" in the title of a position in the collateral and custody and fiscal agency department of the branch.

Approved.

Reply to a letter dated November 1, 1933, from Mr. Austin, Federal Reserve Agent at Philadelphia; the reply reading as follows:

"Reference is made to your letter of November 1, 1933, with which you inclosed a report of outside business affiliations of officers and employees occupying responsible positions in the operating department of your bank, from which it is noted that four of the five persons listed are officers and/or directors of
"building and loan associations. The Board has also noted
the statement contained in Governor Norris' letter of Novem-
ber 1, 1933, with regard to the character of business trans-
acted by building and loan associations in Pennsylvania, but
feels that an official connection with such associations is
within the scope of the Board's letter of April 29, 1933,
and that the officers and employees referred to should termi-
nate the affiliations as soon as possible. It is requested
that you advise the Board of the action taken by Messrs.
Herman, Fredericks, McCreedy and Davis in this connection.
However, the Board would interpose no objection to their
rendering service to the associations in question in an un-
official capacity outside of your regular working hours in
a manner which you are satisfied would not interfere with
their work at your bank or involve financial or other rela-
tionships which might be embarrassing to the bank.

"It is also noted that Mr. Charles V. Wenner, employed
in the currency department, is a school director in the Ben-
salem Township. Your letter contains no information as to
the character of this affiliation, and while it appears to
be a civic position rather than of a business character as
contemplated in the Board's letter of April 29, it will be
appreciated if you will advise the Board fully with regard
thereto, stating the conditions under which election or ap-
pointment to the office involved is obtained.

"The Board has given careful consideration to the opin-
ion expressed by Governor Norris in his letter of November 1
that because of the business conducted by the Beneficial Sav-
ing Fund Society of Philadelphia his service in the capacity
of director of that institution should not be looked upon as
an outside business affiliation, and to the assurance expressed
by the board of directors of your bank that the connection is
wholly unrelated to the business of the bank and in no way prej-
udicial to it. The Board feels, however, that notwithstanding
the limitations on the type of business carried on by the So-
ciety and the purpose for which it was created, it is engaged
in a financial activity of a type in connection with which an
exception should not be made to the general policy that officers
of Federal reserve banks should not be identified with outside
business interests, and that Governor Norris should give con-
sideration to the prompt discontinuance of the affiliation,
advising the Board of the action taken by him in this regard."

Approved, Mr. Hamlin stating
that, while he had not approved the
letter, he had no objection to its
being sent.

Letter dated November 9, 1933, to the board of directors of "The
Bank of LaCrosse", LaCrosse, Virginia, approved by six members of the Board,
stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Richmond to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective.

Approved.

Letters dated November 10, 1933, approved by four members of the Board, to the boards of directors of the following named State banks, each letter stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of Federal reserve bank stock to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective:

<table>
<thead>
<tr>
<th>Applicant Bank</th>
<th>Federal Reserve Bank</th>
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<tbody>
<tr>
<td>&quot;The Citizens Bank, Incorporated, of South Hill, Virginia&quot;, South Hill, Virginia.</td>
<td>Richmond</td>
</tr>
<tr>
<td>&quot;Le Grand Bank&quot;, Le Grand, California.</td>
<td>San Francisco</td>
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Approved.

Letters dated November 10, 1933, approved by five members of the Board, to the boards of directors of the following named State banking institutions, each letter stating that, subject to the conditions prescribed in the letter, the Board approves the institution's application for membership in the Federal Reserve System and for the number of shares of Federal reserve bank stock to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective:
Applicant Bank

"Bristol County Trust Company", Taunton, Massachusetts.
"Tryon Bank & Trust Company", Tryon, North Carolina.
"Union Bank and Trust Company of Amelia", Amelia, Virginia.
"Aliceville Bank & Trust Company", Aliceville, Alabama.
"The Parker Bank and Trust Company", Cullman, Alabama.
"Main State Bank", Chicago, Illinois.
"Dakota State Bank", Dakota, Minnesota.
"Farmers and Merchants State Bank of Sacred Heart", Sacred Heart, Minnesota.
"Farmers State Bank of Denton, Montana", Denton, Montana.
"Montana Bank and Trust Co.", Great Falls, Montana.
"Farmers & Merchants State Bank of Shamrock", Shamrock, Texas.
"The Bank of Carmel", Carmel, California.

Federal Reserve Bank

Boston
Richmond
Richmond
Richmond
Atlanta
Atlanta
Chicago
Minneapolis
Minneapolis
Minneapolis
Minneapolis
Dallas
San Francisco

Approved.

Letters dated November 10, 1933, approved by six members of the Board, to the boards of directors of the following named State banks, each letter stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of Federal reserve bank stock to which the bank will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective:

Applicant Bank

"Farmers and Merchants Bank of Lawrenceville", Lawrenceville, Virginia.
"First State Bank of Chatfield", Chatfield, Minnesota.

Federal Reserve Bank

Richmond
St. Louis
Minneapolis

Approved.
Letter dated November 8, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by six members of the Board, reading as follows:

"Referring to the telephone conversations of November 3, 1933, between Mr. Phillips Ketchum, Counsel for the Federal Reserve Bank of Boston, and Mr. Boatwright of this office, relative to the admission to membership in the Federal Reserve System of The Merrill Trust Company, Bangor, Maine, it is agreeable to the Board to waive the requirement heretofore imposed that the Maine Real Estate Title Company be placed formally in liquidation or receivership prior to admission of the bank to membership in the System. In lieu of such requirement, the Board imposes the condition that the title company shall agree that it will not hereafter undertake any new business, or engage in any business except such as may be necessary to an orderly liquidation of its affairs, so long as it is affiliated with the bank in any manner whatsoever, and that the liquidation of the company will be effected as soon as it is practicable to do so. This action is taken with the understanding that the bank will not be admitted to membership unless and until you are furnished with such an agreement authorized by a resolution duly adopted by the board of directors of the company.

"In addition, it would seem proper that the bank should undertake that the agreement by the title company will be faithfully carried out, and there should be furnished to the Board evidence that the bank accepts this requirement. There should also be furnished to the Board an opinion of counsel for the Federal Reserve Bank of Boston confirming his advice of this date that there is no express provision in the laws of the State of Maine under which the title company might be placed formally in voluntary liquidation, stating that all of his recommendations and requirements in connection with the condition imposed herein have been satisfied and stating further that all documents or instruments required hereunder are in form and substance satisfactory to him."

Approved.

Reply on November 9, 1933, prepared in accordance with the action taken at the meeting of the Board on November 7, 1933, and approved by six members of the Board, to a letter dated October 30 from Honorable Walter Perry, Bank Commissioner of the State of Connecticut, Hartford, Connecticut; the reply reading as follows:
Receipt is acknowledged of your letter of October 30, 1933, inclosing copies of opinions rendered to you under dates of October 24 and October 25, 1933, respectively, by Mr. Ernest L. Averill, Deputy Attorney General of the State of Connecticut.

Notwithstanding the provisions of Chapter 296 of the Public Acts of 1933 of the State of Connecticut (Section 1054(b) Supplement to the General statutes 1931-33), which became effective June 9, 1933, and apparently were enacted in contemplation of the enactment by Congress of the Banking Act of 1933, and for the purpose of enabling any State bank and trust company, savings bank or industrial bank organized under the laws of the State of Connecticut to become a member of the Federal Reserve System, to subscribe for stock in the Federal Deposit Insurance Corporation and to assume all obligations incident to membership in the Federal Reserve System and membership in both the temporary and permanent deposit insurance plans provided for in the Banking Act of 1933, the Deputy Attorney General holds, in effect, that:

"(1) Mutual savings banks organized under the laws of Connecticut are not permitted to participate in either the temporary or permanent insurance plan provided for in the Banking Act of 1933 nor are they permitted to join the Federal Reserve System.

"(2) If membership in the Federal Reserve System entails the assumption of any permanent form of deposit insurance now existing or hereafter to be provided for, without the approval of the Bank Commissioner, it would be a sufficient cause for withholding his approval of membership in the Federal Reserve System; but, if it is possible for State banks and trust companies to become members of the Federal Reserve System with the approval of the Bank Commissioner limited to the temporary insurance plan with the understanding that the Bank Commissioner's approval must be obtained before any permanent plan is effected, then the Bank Commissioner would be justified in approving an application for membership in the Federal Reserve System, provided such reservation is distinctly made and agreed to as part of the transaction.

You express a desire to cooperate so far as possible with the Federal Reserve Board in approving applications of State banks and trust companies who desire to become members of the Federal Reserve System, if it can be so arranged that there will be a distinct understanding that such banks will not thereby become obligated to participate in the permanent plan of the Federal Deposit Insurance Corporation in its present form on July 1, 1934, or will be permitted to withdraw from the Federal Reserve System on July 1, 1934, unless receiving the approval of the Bank Commissioner; and you request a ruling of the Federal Reserve Board:

"1. As to whether or not an approval with reservations will be accepted by the Board; and

"2. Suggestions as to the form of such approval with reservations, should the Board rule that such qualified reservations will be acceptable.

Section 9 of the Federal Reserve Act authorizes the Federal Reserve Board to admit State banks and trust companies to membership
in the Federal Reserve System 'subject to the provisions of this Act', and provides that:

'Banks becoming members of the Federal Reserve System under authority of this section shall be subject to the provisions of this section and to those of this Act which relate specifically to member banks * * * *

"Among the provisions of the Federal Reserve Act to which State banks and trust companies becoming members of the Federal Reserve System are thus made subject are the provisions of Section 12B, which provide for the creation of the Temporary Federal Deposit Insurance Fund and the Federal Deposit Insurance Corporation and which require each member bank licensed before January 1, 1934, to become a member of the Temporary Federal Deposit Insurance Fund on or before January 1, 1934, and to take all steps necessary to enable it to become a Class A stockholder of the Federal Deposit Insurance Corporation on or before July 1, 1934.

"In view of these provisions of law, the Federal Reserve Board is of the opinion that it cannot properly admit to membership in the Federal Reserve System any State bank or trust company which is unable or unwilling to comply with all the provisions of the Federal Reserve Act pertaining to member banks, including the provisions regarding the permanent insurance of deposits which become effective on July 1, 1934. While the Board would like very much to cooperate with you in the solution of this problem, therefore, it does not feel that it can properly admit State banks and trust companies to membership with the understanding that they will not be obligated to participate in the permanent plan of the Federal Deposit Insurance Corporation in its present form on July 1, 1934, or that they will be permitted to withdraw from the Federal Reserve System on July 1, 1934 unless they receive the approval of the Bank Commissioner for their continued membership in the Federal Reserve System.

"In answer to your specific question, therefore, you are advised that an approval by you of the application of a State bank or trust company for membership in the Federal Reserve System, which is made subject to the reservation suggested in your letter, would not be acceptable to the Federal Reserve Board.

"The law permits any State bank or trust company desiring to withdraw from membership in the Federal Reserve System to do so after filing six months' written notice of its intention with the Federal Reserve Board and the Board is permitted to waive such six months' notice in individual cases in its discretion and to permit the bank to withdraw immediately from membership. For the reasons indicated above, however, the Board does not feel that it would be proper for it to agree in advance to waive such six months' notice when it admits a State bank or trust company to membership, especially where the purpose of such agreement would be to enable the bank to avoid compliance with the provisions of the Federal Reserve Act."

Approved.
Telegram dated November 8, 1933, to the Federal reserve agents at all Federal reserve banks, approved by six members of the Board, with regard to the question whether debentures or capital notes bought by the Reconstruction Finance Corporation from State banks may be considered as part of the capital funds of such banks under the provision of the Federal Reserve Act requiring State banks applying for membership in the Federal Reserve System to have an unimpaired capital equal to the capital required of national banks located in the same city; the telegram reading as follows:

"Referring Board's letter August 25, 1933, X-7561. Board has reconsidered this matter and has taken the position that, while the question is not free from doubt, the Board believes that it was the purpose of the Congress in authorizing the purchase of debentures and capital notes by the Reconstruction Finance Corporation from State banks to provide capital funds for them, and, therefore, will consider the proceeds of such capital notes or debentures as capital funds of State banks and as part of the unimpaired capital required of such banks for admission of such banks to membership in the Federal Reserve System, and will request Congress upon convening to clarify this question by appropriate action."

Approved.

Telegraphic reply on November 8, 1933, approved by six members of the Board, to a telegram dated November 4 from Mr. McClure, Federal Reserve Agent at Kansas City, referring to the Board's letter of November 1, 1933, approving the application of the conservator of the First National Bank, Albuquerque, New Mexico, for cancelation of stock of the Federal Reserve Bank of Kansas City outstanding in the name of the national bank, and stating that the conservator of the bank has now been discharged; that the Federal reserve bank has received no advice of the appointment of a liquidating agent or liquidating committee; and that advice is requested as to how an accounting for the proceeds of the stock should be made. The
reply stated that, inasmuch as the Comptroller’s office has terminated the conservatorship of the First National Bank, Albuquerque, New Mexico, effective October 24, 1933, the Board revokes the approval granted on November 1 of the application of W. A. Keleher, Conservator, for the cancelation of Federal reserve bank stock; that it will be necessary for the bank to go into liquidation before the cancelation of the stock can be effected; and that the Comptroller’s office wrote to the bank on October 24 regarding the necessary liquidation resolution.

Approved.

Reply on November 10, 1933, approved by five members of the Board, to a letter dated October 18 from Mr. Williams, Federal Reserve Agent at Cleveland, advising that the Louisa National Bank, Louisa, Kentucky, which was reported to the Board on January 19, 1933, because of a six months' period of continuous reserve deficiencies, was also continuously deficient in its required reserves during the period of six months ended September 30, 1933. The reply stated that it is noted that the bank is still indebted to the Reconstruction Finance Corporation and to the Federal reserve bank; that it is assumed that the bank’s continued reserve deficiencies are due to the same conditions which caused its previous deficiencies, and that the management is continuing to make an earnest effort to maintain its required reserves as reported by the agent previously; that it is also noted that the agent has written to the president of the bank regarding the matter and that he has brought the situation to the attention of the Chief National Bank Examiner for the Fourth Federal Reserve District; and that, in the circumstances, the Board will take no action at this time regarding the bank’s continuous reserve deficiencies other than to forward copies of the agent’s
letter and inclosures to the Comptroller of the Currency for his information. The reply stated also that it will be appreciated if the agent will advise the Board within a reasonable time as to whether the bank has restored and is maintaining its required reserves.

Approved.

Letter dated November 9, 1933, to "The First National Bank of Belfast", Belfast, Maine, approved by six members of the Board, referring to the application filed in the bank's behalf for permission to exercise fiduciary powers under the provisions of 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 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 Maine, only in the specific trusts in which the City National Bank, Belfast, Maine, had been appointed and was acting on the date The First National Bank of Belfast was authorized to commence business by the Comptroller of the Currency, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The letter stated also that action has been deferred upon the bank's application for full fiduciary powers until the institution has been in operation at least one year and a report of examination made subsequent to the expiration of that period has been received.

Approved.
Letter dated November 10, 1933, to "The First National Bank of Rockland", Rockland, Maine, approved by six members of the Board, stating that the Board approves the bank's 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 Maine, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Reply on November 10, 1933, approved by five members of the Board, to a letter dated November 1 from Mr. Ben G. Binns, President of "The Union National Bank of Donora", Donora, Pennsylvania, advising that he wished to withdraw the application of the national bank for full fiduciary powers, and requesting that the application be returned to him for cancelation. The reply stated that, while the papers comprising an application for fiduciary powers form a part of the permanent files of the Board and therefore may not be returned, the Board will consider the bank's application as having been withdrawn and will close its files in the matter.

Approved.

Letter dated November 7, 1933, to Mr. Charles Trow, President of the "Lackawanna National Bank", Lackawanna, New York, approved by six members of the Board, referring to the resolution adopted by the board of directors of the national bank signifying the bank's desire to surrender its right to exercise the trust powers which had been granted to it by
the Board, and stating that the Board understands that the Lackawanna National Bank has been discharged or otherwise properly relieved, in accordance with law, of all of its duties as fiduciary; and that the Board, therefore, has issued a formal certificate, inclosed with the letter, to the national bank certifying that it is no longer authorized to exercise any of the fiduciary powers granted by the provisions of section 11(k) of the Federal Reserve Act. The letter stated also that, in this connection, attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers granted by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board.

Approved.

Letter dated November 9, 1933, to Mr. William Cantwell, Cashier of "The Central National Bank of New Rochelle," New Rochelle, New York, approved by six members of the Board, referring to the resolution adopted by the board of directors of the bank signifying the bank's desire to surrender its right to exercise the trust powers which have been granted to it by the Board, and stating that the Board understands that the national bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, and that the Board, there-
fore, has issued a formal certificate, inclosed with the letter, to the national bank certifying that it is no longer authorized to exercise any of the fiduciary powers granted by the provisions of section 11(k) of the Federal Reserve Act. The letter stated also that, in this connection, attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers granted by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board.

Approved.

Reply on November 8, 1933, approved by six members of the Board, to a letter dated October 19 from Mr. J. Westerberg, Vice President and Trust Officer of The Third National Bank, Rockford, Illinois; the reply reading as follows:

"Reference is made to your letter of October 19, 1933, requesting to be advised whether the trust department of your bank may accept Federal Farm Loan Bonds from the bank as collateral security for trust funds deposited in the commercial department of the bank.

"There is inclosed herewith a copy of the Federal Reserve Board's Regulation F, section VIII of which authorizes national banks to deposit in their trust departments certain classes of securities as collateral for trust funds awaiting investment or distribution which are deposited in their commercial or savings departments. This provision permits the use of all the securities which comply with the requirements set forth in the regulation; and it is not the practice of the Federal Reserve Board to pass upon the use of specific securities for this purpose.

"For your further information in this connection, there is
inclosed a copy of a regulation promulgated by the Comptroller of the Currency defining 'investment securities', pursuant to the provisions of section 5136 of the Revised Statutes of the United States as amended by the Act of February 25, 1927."

Approved.

Letter dated November 7, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, replying to his memorandum of October 18 recommending approval of a reduction in the capital stock of "The National Bank of New Jersey", New Brunswick, New Jersey, from $1,000,000 to $250,000 in accordance with a plan of rehabilitation which provides for a reduction in the par value of the present common capital from $100 to $25 per share, the sale at par of $750,000 par value first preferred stock to the Reconstruction Finance Corporation, and the sale at par of $250,000 par value second preferred stock to present stockholders or others; the released capital in the amount of $750,000, together with funds in the amount of $277,069.88 from the bank's surplus and undivided profits, to be used to eliminate estimated losses aggregating $1,027,069.88 as classified in the report of the examination of the bank made by a national bank examiner as of August 2, 1933. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply. The reply stated also that, in considering the plan under which the reduction of common capital stock is to be effected, it was noted that no provision was made for the elimination of depreciation in securities below the four highest grades, $118,673, in addition to which there will remain in the bank depreciation in the four highest grades of securities amounting to $135,114, doubtful items aggregating $433,171 and slow items amounting to $2,097,206; and that it is assumed, however, that the Comptroller has these conditions in mind and that whenever it becomes feasible
to do so he will obtain such further corrections as may be practicable.

Approved.

Letter dated November 9, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, replying to his memorandum of October 13 recommending approval of a reduction in the capital stock of "The Perth Amboy National Bank", Perth Amboy, New Jersey, from $250,000 to $100,000 in accordance with a plan of recapitalization which also provides for an immediate increase in capital from $100,000 to $175,000 by the sale of new common stock at par; the released capital in the amount of $150,000 to be used to charge off, if the bank has not already done so, estimated losses in the amount of $38,077.43 and depreciation on investment securities of the lower grades in the amount of $59,785.42, as shown in the national bank examiner's report dated July 5, 1933, the balance of such released capital to be credited to surplus or undivided profits and all charged-off items to remain the property of the bank. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply. The reply stated also that, although the proposed recapitalization will enable the bank to eliminate a material amount of criticized assets, and therefore is a desirable step, the Board has noted that there will remain in the bank after the proposed adjustments are effected, loans and discounts classified as slow and doubtful in the amounts of $211,371 and $65,326, respectively, $96,331 estimated depreciation in securities investments of the higher grades, $49,575 in other real estate owned classified as slow, an investment of approximately $92,529 in furniture and fixtures, and other unfavorable conditions; and that it is assumed that these matters are receiving the Comptroller's
consideration and that further corrections will be required as soon as it is feasible to do so.

Approved.

Letter dated November 10, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, replying to his memorandum of October 14 recommending approval of a reduction in the capital stock of "The First National Bank of Wolcott", Wolcott, New York, from $75,000 to $37,500, and the immediate increase of the bank's capital stock to $85,000 by the sale to the Reconstruction Finance Corporation of $47,500 of preferred stock; the released capital in the amount of $37,500, together with $7,134.54 from the bank's undivided profits or surplus accounts, to be used to eliminate estimated losses in the amount of $44,634.54 as shown in the report of examination of such bank made by a national bank examiner as of September 6, 1933. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply. The reply stated also that, while the corrections contemplated by the proposed plan of reduction in capital are desirable, it is noted that, on the basis of the last report of examination, which was made as of September 6, 1933, the bank, after such corrections have been made, will not be in a wholly satisfactory condition as there will remain loans classified as doubtful and estimated depreciation in bonds and securities aggregating $16,705 as compared with a surplus account in the amount of approximately $19,500; and that the Board concurs in the Comptroller's suggestion that the sale of not less than $50,000 of preferred stock would be advisable. The reply stated further that it is also noted that the stockholders will be relieved, through the capital reduction, of an assessment liability of
$37,500 without contributing to the recapitalization of the bank; that, in addition, it is noted that the national bank examiner in his report of the examination as of September 6, 1933, criticized severely certain directors of the bank who are also officers; and that it is assumed that these features of the bank's situation have been given careful consideration by the Comptroller's office.

Approved.

Letter dated November 10, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by four members of the Board, replying to Deputy Comptroller of the Currency Awalt's memorandum of October 20 recommending approval of a reduction in the capital stock of "The Security National Bank of Arkansas City", Arkansas City, Kansas, from $100,000 to $50,000 in accordance with a plan of rehabilitation which provides also for the sale of $50,000 of preferred stock to the Reconstruction Finance Corporation, a voluntary contribution by stockholders of $10,000, and the absorption of the Union State Bank of Arkansas City; the released capital in the amount of $50,000, together with funds in the amount of $10,000 to be made available by a voluntary contribution, to be used to eliminate depreciation and unacceptable assets. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply.

Approved.

Letter dated November 10, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of October 12 recommending approval of a reduction in the capital stock of the "Red River National Bank in Clarksville", Clarksville,
Texas, from $100,000 to $60,000, in accordance with a plan of rehabilitation which provides also for the sale of $40,000 preferred stock to the Reconstruction Finance Corporation, and the formation of a mortgage company to serve as a medium for eliminating the bank's other real estate; the released capital in the amount of $40,000, together with sufficient funds from the bank's undivided profits and/or reserves, and funds in the amount of approximately $60,000 to be made available by a loan from the Reconstruction Finance Corporation to a mortgage company organized for the purposes of the plan, to be used to eliminate unsatisfactory assets in the amount of approximately $52,124 and other real estate in the amount of approximately $61,788. The reply stated that the Board approves the proposed reduction under the plan submitted, subject to the conditions set forth in the reply.

Approved.

Telegram dated November 10, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by six members of the Board, with regard to the application of the American Trust Company of San Francisco, California, for permission to establish a branch in Sacramento; the telegram reading as follows:

"Board has received telegram from American Trust Company, San Francisco, re proposed branch at Sacramento, calling attention to fact that Comptroller of the Currency has taken position that in computing requisite capital for establishment of new out of town branches by national bank, head office city is considered as one unit requiring only one unit of capital regardless of number of branches therein, and concluding QUOTE we submit that in so far as capital requirements are concerned, our application should receive favorable consideration. Your early advice will be appreciated UNQUOTE. As stated in Board's letter of October 20, action on application American Trust Company for Sacramento branch will be deferred pending receipt of copy of report of examination which you advise was commenced on October 24. Board has not as yet expressed any opinion with regard to question stated in letter October 20 re capital requirements of State..."
"Member banks for establishment of out of town branches. It is requested that you advise the American Trust Company of the situation with respect to its application and of fact that statements in its telegram to Board re capital requirements for branches will be given careful consideration. In this connection it is noted from your letter October 25 that opinion your Counsel on this subject will be furnished."

Approved.

Letter dated November 7, 1933, to the "Barnett National Securities Corporation", Jacksonville, Florida, approved by six members of the Board, stating that the Board has considered the Corporation's application, dated September 13, 1933, for a voting permit under authority of section 5144 of the Revised Statutes, as amended, entitling it to vote stock which it controls of the following banks:

"The Barnett National Bank of Cocoa", Cocoa, Florida
"The St. Augustine National Bank", St. Augustine, Florida

The letter stated also that the Board approves the Corporation's application subject to the condition that, prior to the issue to the Corporation of the voting permit applied for, it shall file with the Federal Reserve Agent at the Federal Reserve Bank of Atlanta an original and two executed counterparts of F.R.B. Form P-4 of the Board's printed form of application, constituting Exhibit N entitled "Authorization to Constituted Authorities to Furnish Information", duly executed by the Corporation and consented to by all of its subsidiaries and each other organization with which it or any of its subsidiaries is affiliated, other than the three subsidiary organizations whose consent appears in Exhibit N attached to the application as filed. The letter stated further that the information in the application indicates that Exhibit N is deficient in that it does not contain the consent of "The Barnett National Bank of Jacksonville" and of each of the four national banks.
with respect to the stock of which the permit is applied for; that the additional copies of Form P-4, "Exhibit N", inclosed with the letter, should be executed by W. R. McQuaid, President, and E. G. Haskell, Secretary, of the Barnett National Securities Corporation, and should be consented to by The Barnett National Bank of Jacksonville, The Barnett National Bank of DeLand, The Barnett National Bank of Cocoa, The Barnett National Bank of Avon Park, and The St. Augustine National Bank; and that three original counterparts, properly executed, should be forwarded to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta, who will then deliver to the Corporation the voting permit applied for.

Approved, together with a letter dated November 7, 1933, to Mr. Newton, Federal Reserve Agent at Atlanta, also approved by six members of the Board, authorizing him to deliver the voting permit to the Barnett National Securities Corporation as soon as the condition referred to above has been complied with to his satisfaction, and requesting that he advise the Board of such delivery and that he forward to the Board the original and one counterpart of the Form P-4 as consented to and filed with him.

Reply on November 7, 1933, approved by six members of the Board, to a letter dated October 28 from Mr. Jacob Embry, Vice President of the Commercial National Bank in Shreveport, Louisiana; the reply reading as follows:

"Receipt is acknowledged of your letter of October 28th, 1933 inquiring whether the Commercial National Bank in Shreveport is a 'holding company affiliate' of The Rembert National Bank, of Longview, Texas, within the meaning of the Banking Act of 1933.

"Your letter indicates that the Commercial National Bank in Shreveport has taken over the major part of the assets and assumed the major part of the liabilities of The Commercial National Bank of Shreveport, but that 632 shares of The Rembert National Bank owned by The Commercial National Bank of Shreveport were not taken over by the Commercial National Bank in Shreveport but were held as collateral security under a certain contract between the two Shreveport banks. Your letter
"also states that pursuant to what was believed to be better practice and in order to have a 'better basis of supervision', the 632 shares of The Rembert National Bank referred to above were reissued so that 532 of such shares now stand in the name of Jacob Embry, Trustee, and 25 shares stand in the name of each one of four individuals, three of whom are officers of the Commercial National Bank in Shreveport.

"The definition of a 'holding company affiliate' in Section 2 (c) of the Banking Act of 1933 includes a corporation which controls, directly or indirectly, a majority of the shares of capital stock of a member bank or controls in any manner the election of a majority of its directors. Your letter indicates that the Commercial National Bank in Shreveport may control such number of shares of The Rembert National Bank as well as the election of a majority of its directors, but your letter does not so state and in the absence of any knowledge as to the terms of the trust under which Mr. Embry holds the 532 shares referred to or the identity of the person or persons for whom this stock is held in trust, it is impossible for the Board to determine definitely that this is the case. Furthermore, the facts stated in your letter are not sufficient to show that the Commercial National Bank in Shreveport is included in any of the other categories of the statutory definition of a holding company affiliate, though here again this may be the case.

"In the last paragraph of your letter you state that it would appear to be necessary for Jacob Embry, Trustee, to have a voting permit to entitle him or his proxy to vote the shares of The Rembert National Bank. Only a 'corporation, business trust, association, or other similar organization' can be a holding company affiliate within the definition in Section 2 (c) of the Banking Act of 1933 and it seems unlikely that 'Jacob Embry, Trustee', is included within any one of these classifications. The provisions of the trust under which Mr. Embry holds the stock as trustee determine the status, and in the absence of knowledge as to the nature of such provisions, it is impossible for the Board to give a definite ruling. It should be noted, however, that if the Commercial National Bank in Shreveport or any other organization is a holding company affiliate of The Rembert National Bank within the statutory definition, such organization must obtain a voting permit before the stock controlled by it may be voted, even though this stock is registered in the name of an individual or of an individual as trustee.

"Although your letter does not contain sufficient information for the Board to answer the questions which you ask, it may be possible for you to decide these questions with the aid of the suggestions here made. A copy of the Board's Regulation P and four copies of a formal application for a voting permit are therefore inclosed. You will note that the statutory definition of a 'holding company affiliate' to which reference has been made in this letter, appears as the opening paragraph of the Regulation and that directions for the filing of the application appear on page nine."
Approved.

Letter dated November 10, 1933, to Mr. Newton, Federal Reserve Agent at Atlanta, approved by five members of the Board, stating that, as requested in the agent's telegram of November 3, the Board is treating as withdrawn the application of The Union Investment Corporation, St. Petersburg, Florida, for a voting permit under authority of section 5144 of the Revised Statutes, as amended.

Approved.

Reply on November 7, 1933, approved by six members of the Board, to a letter dated October 11 from Mr. Newton, Federal Reserve Agent at San Francisco; the reply reading as follows:

"Receipt is acknowledged of your letter of October 11, 1933, inclosing copy of a letter from the American National Corporation, of Portland, Oregon, dated October 3, 1933, which raises certain questions with respect to the necessity of an application by American National Corporation for a voting permit under authority of Section 5144 of the Revised Statutes as amended.

"The Corporation's letter explains that the American National Bank of Portland and the National Bank of Commerce of Astoria are in process of liquidation pursuant to stockholder action taken in each case since June 16, 1933, the effective date of those statutory provisions which prohibit the voting of national bank shares controlled by a holding company affiliate unless the affiliate shall have first obtained from the Board a voting permit.

"The letter further states that the Comptroller of the Currency has advised the American National Corporation that its failure to obtain a voting permit from the Board necessitates the calling of another meeting of the stockholders of one of the two national banks, and concludes that this reasoning is equally applicable to the case of the other bank.

"In view of the anticipated difficulties in securing new action by the stockholders of the two banks in question, the Corporation requests the Board to legalize the votes heretofore cast. It is doubtful whether the Board possesses any such power of ratification, and in the circumstances, the Board does not feel that it would be justified in taking the action requested.

"The letter further suggests that the Board grant a per-
mit entitling the American National Corporation to vote its stock in the two mentioned banks, but states that it is impossible for the Corporation to execute the form of application for voting permit set forth in F.R.B. Form P-1. Before a permit can be granted the Board is required by the provisions of Section 5144 to consider certain facts and conditions and the applicant is required to enter into the agreements specified in that section. The Board's Regulation P and the accompanying forms were prepared in order that the Board might obtain the information necessary for its consideration and that the required agreements might be presented in form which would be acceptable to it. The Board is, therefore, of the opinion that it would not be justified in granting the Corporation a voting permit before receiving its application on F.R.B. Form P-1, which contains the requisite agreements, and the information necessary to enable the Board to determine whether the granting of such permit would be in the public interest.

"The final paragraph of the Corporation's letter contains a suggestion that the stock of the two mentioned banks now standing in the name of the American National Corporation be sold to an individual who could then vote the stock at stockholders' meetings to be called for the purpose. It would appear that the propriety of the procedure suggested should be passed upon by counsel to the Corporation rather than by the Federal Reserve Board." *

Approved.

Telegraphic reply on November 8, 1933, approved by six members of the Board, to a letter dated November 1 from Mr. Sargent, Assistant Federal Reserve Agent at San Francisco, inquiring as to whether the Board will accept an informal application, containing only the requisite statutory provisions and omitting the non-statutory exhibits usually required, from the Security-First Company, Los Angeles, California, for a temporary permit to vote the stock of its affiliated bank, the First National Bank of El Segundo, California, only for the purpose of placing the national bank into voluntary liquidation; the reply reading as follows:

"Your letter November 1. Application for voting permit to be filed by Security-First Company, Los Angeles, should be on F.R.B. Form P-1 accompanied by all agreements required by statute and sufficient information to enable Board to comply properly with statutory requirement that it shall consider financial condition of applicant, general character of its
"management, probable effect of granting permit upon affairs of member bank and in general whether granting of permit is in public interest. If applicant and agent agree that, due to circumstances, Board may make such consideration without submission of all data called for by Regulation P, Board will consider application as filed but in advance of examination will not waive right to require any of the information called for by Regulation P."

Approved.

Telegraphic reply on November 10, 1933, approved by six members of the Board, to a telegram dated November 8 from Mr. Newton, Federal Reserve Agent at San Francisco, referring to the application of the Seaboard National Securities Corporation for a permit to vote the stock of the Seaboard National Bank of Los Angeles, California, and stating that the protest of Mr. George L. Browning, Los Angeles, California, against the granting of such a permit was received on November 7; that it is recommended that the securities corporation be furnished with a copy of Mr. Browning's protest, which the corporation has requested, and that a hearing be held affording both sides an opportunity for argument before the executive committee of the Federal reserve bank makes a recommendation; and that the Board's advice in the matter is requested. The Board's reply read as follows:

"Re: November 8. If Browning's consent obtained, you are authorized to deliver copy of his protest to Seaboard National Securities Corporation and in any event, to advise such Corporation of nature of protest and to arrange for hearing before you or W. N. Ambrose, Los Angeles. After both sides have had what you deem reasonable opportunity to be heard kindly forward to Board full report of all hearings; also your recommendation and that of Executive Committee."

Approved.

Telegraphic reply on November 10, 1933, approved by six members of the Board, to a letter dated November 2 from Mr. Case, Federal Reserve Agent at New York, transmitting the request of the Guaranty Trust Company,
New York, New York, for an extension of thirty days' time for the filing of reports of its affiliates domiciled abroad, and stating that it appears under the circumstances that such extension is needed, and that it is recommended that it be granted. The reply stated that the Board extends the time within which the Guaranty Trust Company may file reports of its affiliates domiciled abroad to and including December 9, 1933.

Approved.

Telegram dated November 7, 1933, to Mr. Peyton, Federal Reserve Agent at Minneapolis, approved by six members of the Board, stating that the First Bank Stock Corporation, Minneapolis, Minnesota, has requested an extension to November 25, 1933, of the time within which the Metals Bank and Trust Company of Butte, Montana, may transmit reports of its affiliates; that the agent is requested to determine the necessity for granting the extension; and that, if good cause is shown, the agent is authorized to grant an extension for a period ending not later than November 25, 1933.

Approved.

Telegraphic reply on November 10, 1933, approved by six members of the Board, to a telegram dated November 1 from Mr. Fletcher, Assistant Federal Reserve Agent at Cleveland, submitting certain questions with regard to reports of affiliates; the reply reading as follows:

"Retel November 1. First - Member bank should furnish on Form 220 required information in respect to each corporation, business trust, association, or other similar organization other than a member bank affiliated with it in any manner described in section 2 of Banking Act of 1933. Under express terms of Act, affiliation may exist by reason of indirect, as well as direct, ownership or control. As an example, in case in which corporation A owned substantially all stock of
corporation B, which latter corporation owned majority of stock of member bank, Board ruled that corporation B controlled directly, and corporation A controlled indirectly, majority of shares of member bank and that both corporations A and B were holding company affiliates of such member bank. In such circumstances member bank is required to furnish requisite information in respect to both corporations A and B. Second—Questions 1 to 6, inclusive, on reverse side of Form 220 are designed to provide information in respect to relationship between reporting member bank and its affiliates, and the remaining questions are concerned with relationship between reporting member bank and its holding company affiliates. Ordinarily member bank need answer only questions 1 to 6, inclusive, or questions 7 to 11, inclusive, depending upon whether report is of affiliate or holding company affiliate, but should answer all questions if organization concerning which information is given is both affiliate and holding company affiliate of reporting member bank."

Approved.

Telegraphic reply on November 7, 1933, approved by seven members of the Board, to a telegram dated November 3 from Mr. Newton, Federal Reserve Agent at San Francisco, referring to the Board's form 220-a and the Comptroller of the Currency's form 2130-e-1, with regard to reports of affiliates of national and State member banks, and inquiring as to whether investments in and transactions with affiliated joint stock land banks, mortgage banks, and similar lending institutions not coming within the meaning of the term "bank" as defined in section 1 of the Federal Reserve Act should be shown in the reports. The reply read as follows:

"Referring to your telegram of November 3 not sure we understand your question. The words 'other banks' on face of Form refer to institutions coming within meaning of term 'bank' as defined in Section 1 of the Federal Reserve Act and do not include joint stock land banks and mortgage banks. Such institutions, however, must submit reports on form 220-a if affiliated with a state bank member or 2130-e-1 if affiliated with a national bank and such reports must show all the information called for by the items under 'financial relations with bank' and such other information as is necessary to show the manner of affiliation and to disclose fully relations with
affiliated bank. If we have correctly interpreted your question do not feel it necessary to advise member banks in regard thereto except in response to inquiries, or in cases where you have knowledge that required information has not been furnished."

Approved.

Telegram dated November 7, 1933, to the Federal reserve agents at all Federal reserve banks, approved by six members of the Board, referring to the Board's letter of October 26, 1933 (B-923), transmitting forms for use in submitting condition reports and other data, and stating that, upon request of any State member bank, the agent is authorized to grant it an extension of time not to exceed 15 days, in addition to the original period of 10 days from the receipt by the member bank of the call, within which to file with the Federal reserve bank the data called for by schedule Q as to the number of depositors and the amount of deposits.

Approved.

Letter dated November 10, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by six members of the Board, replying to a letter dated November 4 from Mr. Carrick, Secretary of the Federal Reserve Bank of Boston; the reply reading as follows:

"Reference is made to Mr. Carrick's letter of November 4, 1933, inclosing a proposed draft of circular regarding the applicability of Section 8A of the Clayton Antitrust Act to a director, officer or employee of a Massachusetts Co-operative Bank serving as a director, officer or employee of a national bank after January 1, 1934. There is inclosed a redraft of the proposed circular, which makes only one change of substance in the circular forwarded by Mr. Carrick. This change consists of the addition of a clause at the end of the last paragraph which is designed to guard against possible misunderstanding.

"There appears to be no objection to the issuance of the circular with the change suggested."

Approved.
Letter dated November 10, 1933, to Mr. F. S. Chamberlain, President of the New Britain National Bank, New Britain, Connecticut, approved by six members of the Board, replying to his letter of September 9 to Mr. Hamlin and reading as follows:

"Further consideration has been given to the inquiry contained in your letter of September 9, 1933, addressed to Mr. Hamlin as to whether Section 8A of the Clayton Antitrust Act, as amended by Section 35 of the Banking Act of 1933, will make it unlawful, after January 1, 1934, for certain directors of the New Britain National Bank to serve at the same time as directors, officers, or employees of local manufacturing corporations which occasionally make loans to their own employees secured by the capital stock of the corporation.

"Section 8A applies to any corporation (other than a mutual savings bank) 'which shall make loans secured by stock or bond collateral to any individual, association, partnership, or corporation other than its own subsidiaries'. The wording of the provision would seem to leave no room for a construction which would make it inapplicable to a corporation making loans to its own employees, secured by its own stock, either for the purpose of enabling such employees to become stockholders of the corporation or for any other purpose.

"Under the provisions of Section 8 of the Clayton Antitrust Act, the Federal Reserve Board is authorized, under certain circumstances, to issue permits covering services of the kinds referred to in Sections 8 and 8A. However, the provision of Section 8 which authorizes the Board to issue permits refers only to banking institutions of certain classes and the Board is, accordingly, without authority to issue permits involving relationships between national banks and non-banking organizations which come within the provisions of Section 8A.

"You refer in your letter to the difficulties arising out of a statute forbidding the gentlemen in question to serve as directors of your bank, but as you are of course aware, the Federal Reserve Board is not at liberty to construe a statute in a way which would conflict with the plain meaning of the words used by Congress.

"It should be noted, however, that Section 8A refers to any corporation which 'shall make' loans of the kind described. There is inclosed a mimeographed copy of the Board's regulation dealing with interlocking directorates and other relationships under the Clayton Antitrust Act, and your particular attention is directed to paragraph (3) of Section IV(b). Since the statute does not refer to the business which may have been transacted by a corporation in the past, but refers only to the business currently and presently transacted, the prohibitions of..."
"Section 8A are inapplicable to the service of a director of a national bank as a director of a manufacturing corporation which in the past has made loans secured by stock or bond collateral, if such corporation shall make no further loans of that character after January 1, 1934, the effective date of Section 8A."

Approved.

Reply on November 7, 1933, approved by six members of the Board, to a letter dated August 8 from Mr. Louis Auperin, Cashier of the First National Bank and Trust Company, Amityville, Long Island, New York; the reply reading as follows:

"Your letter of August 8, 1933, addressed to the Comptroller of the Currency, has been referred to the Federal Reserve Board.

You state that the Amityville Bond and Mortgage Company, Inc., of Amityville, New York, has fifteen directors, all but one of whom are directors of banks.

You ask, first, whether this company will be considered as engaged in the business of purchasing, selling, or negotiating securities under the provisions of Section 32 of the Banking Act of 1933. Without being furnished with a full and detailed description of the business actually transacted by the company, and of the kinds of 'securities' in which it deals, the Board would not be able to advise you whether the company comes within the provisions of that section. You have inclosed a copy of the certificate of incorporation of the Company, from which it appears that the Company is authorized among other things to engage in the business of buying, selling, and dealing in bonds and mortgages and similar securities. The exact scope of this provision is not clear; but it should be noted that Section 32 is applicable to organizations 'engaged primarily in the business of purchasing, selling, or negotiating securities'. The business in which an organization is primarily engaged is, therefore, the test, and an organization does not fall within the provisions of this section merely because it is permitted by law to engage in business of the kind referred to in Section 32.

You also ask whether the acceptance of deposits from the Company by three banks is to be construed as the performance of the functions of a correspondent bank within the meaning of Section 32. The mere acceptance of a deposit of funds by a bank from a dealer in securities does not constitute the performance of the functions of a correspondent bank within the meaning of that section.

You inquire, lastly, whether the Board is authorized to issue permits with respect to all of the relationships referred to in Section 32. The answer to this question is in the affirmative. Forms and regulations in connection with applications
"for such permits have recently been approved by the Federal Reserve Board and may be obtained from the Federal Reserve Agent of the Federal Reserve Bank of your District, who will be in a position to advise you as to the necessity for permits in particular cases and as to the procedure to be followed in making application for permits."

Approved.

Letter dated November 9, 1933, to the Secretary of State, approved by six members of the Board, replying to a letter dated September 16 from Mr. Jefferson Caffery, Assistant Secretary of State; the reply reading as follows:

"Reference is made to the letter addressed by the Assistant Secretary of State to the Federal Reserve Board under date of September 16, 1933, (LA 835.51/939) transmitting a copy of a note received by your Department from the Ambassador of Argentina in Washington, together with certain insertions, relating to the payment of interest on funds of the Argentine Government deposited with certain banks in New York City. The Board's reply in this matter has been delayed in order that it might afford to the banks involved which are members of the Federal Reserve System an opportunity to express their views with respect to the question presented.

The Board understands that the Argentine Government has entered into certain agreements from time to time with banks and bankers in New York City for the purchase by them of bonds issued by that Government and that under the terms of such agreements the Argentine Government has appointed certain banks as Fiscal Agents with which the Government deposits funds from time to time for the retirement of such bonds or the payment of interest thereon. Since the enactment of the Banking Act of 1933 on June 16, 1933, certain of these banks, acting as Fiscal Agents under such agreements, have notified the Argentine Government that they may no longer pay interest on moneys deposited with them pursuant to the terms of these agreements. It is the contention of the Argentine Government that it is entitled to interest on these moneys by virtue of its contracts which were entered into prior to June 16, 1933, and which were in force on that date.

The Embassy of the Argentine Republic has submitted in this connection a copy of the agreement of September 5, 1923, between the Argentine Government and Kuhn, Loeb & Company, Blair & Company, Inc., and Chase Securities Corporation and a copy of the agreement of January 13, 1927, between that Government and J. P. Morgan & Company and the National City Company. The Federal Reserve Board, of course, is unable to express
any opinion with respect to agreements copies of which have not been submitted, but it has given careful consideration to the question whether interest may lawfully be paid by member banks on deposits received under the terms of the two agreements mentioned.

"It appears that the Fiscal Agents appointed under the terms of the agreement of September 5, 1923, are required to credit the Argentine Government with interest at the current rate which New York Clearing House banks may then be paying on local demand deposits upon any moneys deposited with such Fiscal Agents by the Argentine Government, but that under this agreement a Fiscal Agent is expressly authorized at any time to resign its agency and be discharged of all of its duties as such. It would appear, therefore, that the agreement of a bank appointed as Fiscal Agent under such contract to pay interest on deposits may lawfully be terminated by such bank; and Section 19 of the Federal Reserve Act clearly contemplates that any contract of a member bank for the payment of interest on deposits payable on demand which was entered into prior to the date of enactment of the Banking Act of 1933, June 16, 1933, and in effect on that date, should be terminated by such bank as soon as possible after that date, if legally possible to do so under the contract. Accordingly, it became the duty of each member bank acting as Fiscal Agent under the contract with the Argentine Government of September 5, 1923, as soon as possible after June 16, 1933, to terminate or modify its agreement so as to eliminate the provision for the payment of interest on deposits payable on demand. After such modification of the contract no interest may be paid by a member bank on deposits which have been received under its provisions and which are payable on demand.

"The agreement of January 13, 1927 appears to contain no similar provision authorizing a Fiscal Agent to resign his agency or to terminate his agreement to pay interest on deposits received under the contract. The contract was entered into prior to June 16, 1933 and by its terms appears to run for a determinable period, namely, until the maturity of the bonds issued under the contract or until such time as all of the bonds may be retired prior to their maturity. Accordingly, it would appear that a member bank which is acting as Fiscal Agent under this agreement may not lawfully terminate its agreement to pay interest on deposits received thereunder. In the opinion of the Federal Reserve Board, therefore, the law does not prevent a member bank from paying interest on deposits received under the terms of this agreement.

"Attention is invited to the fact that the prohibition of the Federal Reserve Act as amended by the Banking Act of 1933 upon the payment of interest on deposits payable on demand applies only in the case of banks which are members of the Federal Reserve System and, therefore, does not prevent the payment of interest on deposits received from the Argentine Government by banks which are not members of the System.
"In the above discussion of this subject it has been assumed that the deposits received by the banks under the agreements in question were deposits payable on demand. This, however, is not entirely clear and if in any case the deposits should as a matter of fact constitute time deposits as defined in the Board's Regulation Q, a copy of which is inclosed herewith, a member bank may pay interest on such time deposits in accordance with the terms of the regulation, without regard to the question whether it may lawfully terminate or modify the contract under which the deposits are received."

"The communication addressed to your Department by the Argentine Embassy also suggests the question as to what rate of interest, in case any interest is permissible under the law, should now be paid on deposits received under the contracts in question. The question as to what rate of interest may be paid, however, is one which rests between the parties to the contracts and neither the law nor the regulation contains any provision relating to the rate of interest which may be paid on such deposits, except that if they are time deposits the rate of interest paid must not exceed that prescribed in the regulation. It would not be possible, therefore, for the Federal Reserve Board to express any opinion with regard to what rate of interest, in cases where interest is not prohibited by the law, may be paid under the contracts on deposits payable on demand."

Approved.

Letter dated November 10, 1933, to the Federal reserve agents at all Federal reserve banks, approved by six members of the Board, and reading as follows:

"Reference is made to the Board's letter of October 23, 1933, X-7651, inclosing certain forms of certificates of deposit which in the Board's opinion constitute time certificates of deposit as defined in Regulation Q.

"Under Section 19 of the Federal Reserve Act, the Federal Reserve Board is required from time to time to limit and is authorized to prescribe the rate of interest which may be paid by member banks on time deposits and it is believed desirable that time certificates of deposit and other time deposit contracts hereafter issued or entered into by member banks should refer to this fact, in order that the depositors may have actual knowledge that the rate stated in such certificates or contracts is subject to such modification as may be necessary to conform to the rate on time deposits as limited or prescribed by the Federal Reserve Board from time to time under the law. Accordingly, it is suggested that, in any communications or discussions which you may have with member banks regarding the form of time certificates of deposit or other time deposit contracts which they may propose to
"use, you invite their attention to the desirability of printing or stamping upon such certificates of deposit or contracts a provision substantially in the following form:

'The rate of interest payable hereunder is subject to change by the bank to such extent as may be necessary to comply with requirements of the Federal Reserve Board made from time to time pursuant to the Federal Reserve Act.'"

Approved.

Reply on November 10, 1933, approved by five members of the Board, to a telegram dated November 1 from the DuBois Clearing House Association, DuBois, Pennsylvania; the reply reading as follows:

"Reference is made to your telegram of November 1, 1933, suggesting a liberalization of the Board's Regulation Q to permit a one hundred dollar maximum withdrawal of savings deposits without notice in an emergency.

'The word 'portion' as used in Section VI of Regulation Q with regard to notice of intended withdrawal of savings deposits is to be interpreted as including a specified amount and, accordingly, 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 are subject to the same requirement. The period during which such specified amount may be withdrawn under the conditions stated may be prescribed by the bank but 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.

'With respect to time deposits as distinguished from savings deposits, Section 19 of the Federal Reserve Act provides that 'no member bank shall pay any time deposit before its maturity' and the Federal Reserve Board is not authorized to make any exception to this prohibition of the law.'"

Approved.

Reply on November 10, 1933, approved by six members of the Board, to a letter dated September 26 from Mr. Clyde Crafts, Vice President and Cashier of The First National Bank, Saltville, Virginia; the reply reading as follows:
"Reference is made to your letter of September 26, 1933, addressed to the Comptroller of the Currency and referred to the Federal Reserve Board, in which you inquired whether a time certificate of deposit may properly provide that it shall be payable either at the expiration of a certain specified period after its date or upon notice in writing which is actually required to be given not less than thirty days before repayment. The answer to this question would depend upon the exact provisions of the certificate which might be proposed for use in this connection. In view of the pressure of other matters of an urgent nature, the Board has not had an opportunity to give careful consideration to the question and, accordingly, is not in a position to express an opinion in the matter at this time.

"It is noted that you state that your certificates of deposit are payable six months after date. Under the law no member bank may pay any time deposit before its maturity and it would appear that the maturity of a certificate of the kind in use by your bank is six months after its date and that it may not be paid before that time. However, this question also can be determined only upon a consideration of the terms of the certificate itself, and, without an opportunity to examine the form of certificate which you use, the Board is unable to make a definite statement with regard to the question. For your information there are inclosed herewith certain forms of certificates which, in the opinion of the Federal Reserve Board, comply with the definition of time certificates of deposit contained in the Board's Regulation Q and these may be of interest to you in this connection. No particular form of time certificate of deposit is required, however, and a deposit evidenced by any form which complies in all respects with the definition of time certificates of deposit set forth in Regulation Q may, of course, be treated as a time deposit for the purposes of the regulation."

Approved.

Reply on November 10, 1933, approved by five members of the Board, to a letter dated September 8 from Mr. A. T. Altick, Assistant Cashier of the Osage Farmers National Bank, Osage, Iowa; the reply reading as follows:

"Reference is made to your letter of September 8, 1933, addressed to the Comptroller of the Currency, which has been referred to the Federal Reserve Board for reply. You ask to be advised regarding certain questions arising under Regulation Q relating to the payment of deposits and interest thereon by member banks of the Federal Reserve System.

"In connection with your first question as to whether a time certificate of deposit 'payable six or twelve months after date' would be objectionable under the law, the Board is unable to advise you definitely whether or not such certificate complies with Section III of the Regulation inasmuch as you have not furnished it
"with a copy of the certificate. It would appear, however, that if such certificate were not paid at the expiration of six months from date, it would automatically be renewed in accordance with its terms for an additional six months and, accordingly, that it would then be payable at the expiration of such additional six months period and could not lawfully be paid before the expiration of such period even though no interest were paid thereon.

"Your second inquiry relates to the payment of interest accruing after October 31, 1933, on certificates of deposit issued after June 16, 1933, and providing for a rate of interest in excess of the maximum rate prescribed in Regulation Q. Section 19 of the Federal Reserve Act was amended by the Banking Act of 1933 so as specifically to require the Federal Reserve Board to limit by regulation the rate of interest which may be paid by member banks on time deposits. The Banking Act of 1933 was enacted on June 16, 1933, and it follows as a matter of law that the rate of interest which may be paid by a member bank on a time deposit under the terms of any certificate or contract issued or entered into after that date may not exceed the rate as limited by the Federal Reserve Board from time to time pursuant to the statute. The Board in its Regulation Q has limited the rate which may be paid by a member bank on a time deposit for any period subsequent to October 31, 1933, to three per cent per annum compounded semiannually and, accordingly, no member bank may pay interest accruing after the latter date on a time deposit, at a rate in excess of that prescribed in Regulation Q under the terms of any certificate or contract entered into after June 16, 1933, even though such a certificate or contract may provide for the payment of interest at a rate in excess of that stated.

"The determination of the practice which should be followed by your bank with respect to requiring notice of intended withdrawals of savings deposits is a matter which rests within the discretion of the board of directors of your bank and, inasmuch as the question is affected by local conditions, the Federal Reserve Board does not feel that it is in a position to advise you as to what practice you should follow in this respect from time to time.

"The words 'last preceding change' contained in subsection (c) of Section VI of Regulation Q refer to a change in practice of a member bank such as is mentioned in subsection (b) thereof with respect to the requiring or waiving of notice of intended withdrawal of savings deposits. The question what notice, if any, should be given by your bank of changes in its practices in this respect depends upon the provisions of the contract between the bank and its savings depositors. The Federal Reserve Board's Regulation Q contains no requirement with regard to this point.

"Answering your inquiry as to the meaning of the word 'portion' as used in Section VI of Regulation Q, you are advised that the Board has stated that the word 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 are subject to the same requirement. The period during which such specified amount may be withdrawn under the conditions stated may be prescribed by the bank but 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."

Approved.

Reply on November 10, 1933, approved by five members of the Board, to a letter dated September 14 from Mr. George Susens, Secretary of the Minnesota Bankers Association, Minneapolis, Minnesota; the reply reading as follows:

"The Comptroller of the Currency has referred to the Federal Reserve Board your letter of September 14, 1933, with respect to the following provision of the savings pass book of a national bank located in Minnesota:

'The officers of the bank may allow moneys to be withdrawn, or paid on account of savings deposits, at any time during business hours, but because it is necessary to loan out its funds in order to enable it to pay interest, and as time to call in the same may sometimes be desirable, the bank therefore reserves the right, and makes it a condition on all savings deposits, to require sixty days' previous notice in writing as a condition of payments, on all sums exceeding One Hundred Dollars, whenever in the opinion of the Board of Directors, the same may be desirable.'

'It is noted that the rules above quoted reserve to the bank the right to require sixty days notice before the withdrawal from savings accounts except as to amounts not in excess of $100 and as to such amounts no notice is required. With respect to such amounts, the requirements of the definition of a savings deposit contained in Regulation Q are not met and, accordingly, the amount of $100 of each savings account may not be classified as a savings deposit and no interest may be paid thereon. In order that the entire amount of the deposits in the savings accounts of the bank in question may be considered as savings deposits, it is suggested that the rules governing such deposits be modified so as to include a reservation to the bank of the right to require not less than thirty days notice in writing before the withdrawal of any amount of a savings deposit. It is assumed that the other requirements of Regulation Q regarding savings deposits are met, but whether this is the fact is not shown by the above
"quoted provision of the rules governing savings deposits.

"The word 'portion' as used in Section VI of Regulation Q is to be interpreted as including a specified amount and 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 are subject to the same requirement. The period during which such specified amount may be withdrawn under the conditions stated may be prescribed by the bank but 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.

"In connection with the statement contained in your letter as to the payment of the entire amount of a savings deposit without notice, you are advised that, in accordance with the provisions of subsection (a) of Section VI of Regulation Q a member bank may permit the withdrawal of the entire amount of the savings deposits of any depositor without requiring notice of withdrawal, if, upon request and without requiring any such notice, it permits the withdrawal of the entire amount of the savings deposits of every other depositor which are subject to the same requirement."

Approved.

Telegraphic reply on November 10, 1933, approved by four members of the Board, to a telegram dated November 7 from Mr. Worthington, Deputy Governor of the Federal Reserve Bank of Kansas City, inquiring as to whether consideration has been given to changes in the formula for the computation of reserves to be carried by member banks in order to comply with certain provisions of the Board's Regulation Q and particularly to include in demand deposits item 5 of schedule K in the Board's revised form 105; the reply reading as follows:

"Your telegram November 7. No changes in formula for computation of reserves appear necessary on account of change in form 105, as form B-15 revised February 1933 for use in computing reserves to be carried with Federal Reserve Bank by member banks, sent Mr. McClure with our letter B-881 of February 24, 1933, contains following words in parentheses following Item 1, Demand deposits: 'See schedule K of the quarterly call
"Report for items constituting demand deposits'. As stated at the beginning of Regulation Q, that regulation relates to payment of deposits and interest thereon by member banks of the Federal Reserve System and not to the computation and maintenance of reserves which member banks are required to maintain against deposits. The rules concerning reserves of member banks are contained in the Federal Reserve Board's Regulation D."

Approved.

Letter dated November 8, 1933, to Mr. W. R. Burgess, Secretary of the Federal Open Market Committee, New York, New York, approved by six members of the Board, replying to his letter of October 28 transmitting a preliminary draft of the minutes of the meeting of the Committee held in Washington on October 10, 1933, and requesting advice of suggestions as to changes in the draft. The reply stated that, following the meeting of the Board with the governors of Federal reserve banks which was held on October 12, 1933, Governor Harrison reported to the Board the action taken by the Federal Open Market Committee at its meeting on October 10, and that it is suggested, therefore, that the following be added to the minutes of the Committee before the statement of adjournment:

"Following a meeting on October 12, 1933, of the Federal Reserve Board with the governors of Federal reserve banks, a meeting of the Federal Open Market Committee with the Federal Reserve Board was held, at which Governor Black and Messrs. Hamlin, James, Thomas, Szymczak and O'Conor, members of the Federal Reserve Board, Messrs. Morrill and Carpenter, of the Board's staff, and the representatives of the Federal reserve banks on the Federal Open Market Committee, were present.

"Governor Harrison advised the Board of the action taken by the Federal Open Market Committee in voting unanimously that the authority granted to the executive committee to purchase up to $1,000,000,000 of government securities be continued and reaffirmed for the unused portion of the authority, and he stated that, immediately after the action of the Committee, the executive committee met and authorized the purchase of $35,000,000 of Government securities during the current statement week, which meant that the securities had to be purchased not later than Wednesday, October 11, 1933, and, not having an opportunity to
"submit the resolution to the Federal Reserve Board for approval, a purchase of the authorized amount was consummated under the previous authority granted to the executive committee.

"Governor Harrison also informed the Board of the views set forth above which were expressed by the members of the Federal Open Market Committee during the discussion in their separate meeting of the Committee's action, and he read the memorandum of open market policy which had been adopted by the Committee as an expression of its opinion.

"Governor Black raised the question whether the memorandum was to be understood as being confidential between the Federal Open Market Committee and the Federal Reserve Board, and Governor Harrison stated that it was understood by the members of the Committee that it was to be treated as strictly confidential by them, and that, while the Committee would have no objection to the submission of the memorandum to the Secretary of the Treasury or to the President of the United States, if the Board decided such action would be helpful, it was to be held otherwise in strict confidence.

"The meeting adjourned at 1:15 p. m."

The reply also acknowledged receipt of Mr. Burgess' letter of October 31, 1933, inclosing a copy of the minutes of the meeting of the executive committee of the Federal Open Market Committee which was held in New York on October 25, 1933, and stated that it is noted that the executive committee at that meeting voted to request the members of the Federal Open Market Committee to give the executive committee authority to offer for conversion all or such part of the called Fourth 4 1/4% bonds in the System portfolio as may, in the judgment of the committee, seem advisable from time to time in the light of all the circumstances, and that, for the purposes of the Board's records, it will be appreciated if Mr. Burgess will advise it as to the responses received to this request.

Approved.

Letter dated November 9, 1933, to Mr. J. U. Calkins, Chairman of the Governors' Conference, prepared in accordance with the action taken at the meeting of the Board on November 1, 1933, and approved by seven members
of the Board, reading as follows:

"At the meeting of the Governors' Conference with the Federal Reserve Board on October 12, 1933, you reported that the Conference had voted to recommend to the Federal Reserve Board the reconstituting of the 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.

"The Federal Reserve Board has given careful consideration to the recommendation of the Conference, and has decided that it should be held in abeyance, perhaps until after the present emergency is passed. Further consideration will be given to the matter when the Board is in a position, in the light of later circumstances, to determine whether further revision of, and addition to, the Committee report would be desirable.

"A copy of this letter is being forwarded to the governors of all other Federal reserve banks."

Approved.

There were then presented the following applications for original stock, or for the surrender of stock, of Federal reserve banks:

<table>
<thead>
<tr>
<th>Applications for ORIGINAL Stock:</th>
<th>Shares</th>
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<tbody>
<tr>
<td><strong>District No. 2.</strong></td>
<td></td>
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<tr>
<td>First National Bank in Gouverneur, New York.</td>
<td>90</td>
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<tr>
<td><strong>District No. 3.</strong></td>
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<tr>
<td>Berwyn National Bank, Berwyn, Penna.</td>
<td>54</td>
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<tr>
<td><strong>District No. 4.</strong></td>
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<tr>
<td>First National Bank in Finleyville, Penna.</td>
<td>36</td>
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<tr>
<td><strong>District No. 5.</strong></td>
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<tr>
<td>First National Bank in Ronceverte, W. Va.</td>
<td>38</td>
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<tr>
<td><strong>District No. 7.</strong></td>
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<tr>
<td>First National Bank of Hampton, Hampton, Ia.</td>
<td>36</td>
</tr>
<tr>
<td>Farmers and Merchants National Bank in Benton Harbor, Benton Harbor, Michigan.</td>
<td>108 144</td>
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<td><strong>Total</strong></td>
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<td>218</td>
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<tr>
<th>Applications for SURRENDER of Stock:</th>
<th>Shares</th>
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<tr>
<td><strong>District No. 1.</strong></td>
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<tr>
<td>City National Bank, Belfast, Maine.</td>
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<tr>
<td>(Voluntary liquidation, succeeded by First National Bank of Belfast)</td>
<td>225</td>
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<tr>
<td>Welden National Bank of St. Albans, Vt.</td>
<td>90</td>
</tr>
<tr>
<td>(Being liquidated through conservator)</td>
<td>315</td>
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<tr>
<td><strong>District No. 3.</strong></td>
<td></td>
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<tr>
<td>Mechanics National Bank and Trust Company of Millville, New Jersey.</td>
<td>180 180</td>
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<tr>
<td>District No.</td>
<td>Bank Name and Location</td>
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<td>4</td>
<td>First National Bank, Plumville, Pa.</td>
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<td>5</td>
<td>Patapsco National Bank, Ellicott City, Md.</td>
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<td>Edisto National Bank, Orangeburg, S. C.</td>
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<td>6</td>
<td>Farmers National Bank, Geneva, Alabama</td>
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<td></td>
<td>First National Bank, Oxford, Alabama</td>
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<td>7</td>
<td>Farmers National Bank, Aledo, Ill.</td>
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<td>First National Bank, Dallas City, Ill.</td>
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<td>First National Bank, Swayzee, Ind.</td>
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<td>First National Bank, Grand River, Iowa.</td>
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<td>First National Bank, Rock Valley, Iowa.</td>
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<td>First National Trust and Savings Bank, Port Huron, Michigan.</td>
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<td>First National Bank, Neillsville, Wisconsin.</td>
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<td>9</td>
<td>First National Bank, Thief River Falls, Minn.</td>
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<td>Farmers National Bank, Chinook, Montana.</td>
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<td>First National Bank, Conrad, Montana.</td>
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<tr>
<td>12</td>
<td>First National Bank in Salem, Oregon.</td>
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</table>

Total: 1,533

Approved.
Thereupon the meeting adjourned.

[Signature]
Secretary.

[Signature]
Governor.