A meeting of the Federal Reserve Board was held in Washington on Wednesday, November 15, 1933, at 10:30 a.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Paulger, Chief of the Division of Examinations
Mr. Leonard, Federal Reserve Examiner
Mr. Wingfield, Assistant Counsel

The minutes of the meetings of the Federal Reserve Board held on October 31 and November 1, 1933, were approved.

The Board then considered and acted upon the following matters:

Telegram dated November 15, 1933, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, stating that the board of directors of the bank, at its meeting today, voted to establish a rediscount rate of 2 1/2%, effective the first business day following that on which approved by the Federal Reserve Board.

The rate of 2 1/2%, fixed by the directors of the Philadelphia bank, was approved effective November 16, 1933, it being understood that the new rate applied to rediscounts of eligible paper for member banks and advances to member banks under the provisions of sections 13 and 13(a) of the Federal Reserve Act, as amended.

Letter dated November 10, 1933, from Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, advising of the establishment at the bank, as of October 21, 1933, of the following schedule of effective buying rates on bankers' acceptances:
1 to 90 days 1/2\%
91 to 120 days 3/4\%
121 to 180 days 1\%

Without objection, noted with approval.

Telegrams dated November 13, from Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, and November 15, 1933 from Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, both 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.

Reply on November 14, 1933, approved by five members of the Board, to a letter dated November 9 from Mr. Case, Chairman of the Federal Reserve Bank of New York; the reply reading as follows:

"Receipt is acknowledged of your letter of November 9, 1933, in which you state that it has been your view that the Federal Reserve Board's approval on February 16, 1933, of a minimum buying rate of 1/2 of 1\% for the purchase of bankers' acceptances by the Federal Reserve Bank of New York was still in force, since it was never changed, and that the only changes made since that time had been in the minimum buying rates fixed by your directors at or above which currently effective buying rates are fixed by the officers of your bank.

"In his letter of March 2, 1933, Mr. Sproul advised that the board of directors of your bank had established, effective from the opening of business on March 3, 1933, a minimum buying rate of 2 1/2\% for the purchase of bankers' acceptances and in my reply of March 10 you were advised that that rate had been approved by the Federal Reserve Board. The Board's action was taken with the understanding that the approval of the new minimum authorized buying rate superseded its approval of the rate previously in effect. The action taken by the Board on March 21, 1933, in approving for your bank a minimum authorized buying rate of 1 1/2\% and on April 10, 1933, in approving a minimum authorized buying rate of 1\% was taken with the same understanding, so that at the time the rate of 1/2 of 1\% was established by your directors on October 19, 1933, the minimum authorized buying rate in effect with the approval of the Board was 1\% rather than a rate of 1/2 of 1\% as stated by you."
"It is noted from your letter that hereafter when a change is made in the minimum authorized buying rate fixed by your directors for purchases of bankers' acceptances, the new rate will be submitted to the Federal Reserve Board for approval, and it is understood that such rate will not become effective until you have received advice of approval thereof by the Board, and that the new rate, when approved, will supersede the rate previously in effect, regardless of whether it is higher or lower than the previous rate."

Approved.

Memorandum dated November 3, 1933, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Miss Julia Benton Hopkins as a clerk in the division, with salary at the rate of $1,500 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 13, 1933.

Approved.

Memorandum dated November 13, 1933, from Mr. Paulger, Chief of the Division of Examinations, requesting the appointment of Mr. Robert S. Everitt as a stenographer in the division, with salary at the rate of $1,620 per annum, effective as of the date upon which he enters upon the performance of his duties.

Approved.

Memorandum dated November 10, 1933, from Mr. Morrill recommending the appointment of Mr. Scott Douglas Kellogg as a file clerk in the Board's general files, with salary at the rate of $1,500 per annum, effective as of the date upon which he enters upon the performance of his duties; the recommendation having been approved by five members of the Board on November 14, 1933.

Approved.
Memorandum dated November 13, 1933, from Mr. Wyatt, General Counsel, recommending the appointment of Miss Kathleen B. Pendleton as a stenographer in his office, with salary at the rate of $1,800 per annum, effective as of the date upon which she enters upon the performance of her duties; the recommendation having been approved by five members of the Board on November 14, 1933.

Approved.

Memorandum dated November 13, 1933, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the appointment of Mr. Lewis N. Dembitz as junior research assistant in the division, with salary at the rate of $1,800 per annum, effective December 1, 1933; the recommendation having been approved by five members of the Board on November 14, 1933.

Approved.

Telegraphic reply on November 14, 1933, approved by five members of the Board, to a telegram dated November 9 from Mr. Peyton, Federal Reserve Agent at Minneapolis, with regard to the appointment of Mr. Harold G. McConnell as an examiner in the Federal reserve agent's department of the Federal Reserve Bank of Minneapolis, with salary at the rate of $4,200 per annum, and his temporary assignment to the Board's Division of Examinations, and to a telegram dated November 9 from Mr. Peyton stating that Mr. McConnell is indebted to the National Citizens Bank, Mankato, Minnesota, in the amount of $1,400, which is being paid off at the rate of $25 a month. The reply read as follows:

"Your wire November 9 Board approves appointment Harold G. McConnell as examiner in the Federal Reserve Agent's department of your
"bank at the salary rate of $4,200 per annum with understanding he will continue systematic reduction indebtedness with Mankato bank Stop Kindly advise date he will report in Washington."

Approved.

Telegraphic reply on November 13, 1933, approved by six members of the Board, to a letter dated October 31 from Mr. McClure, Federal Reserve Agent at Kansas City; the reply reading as follows:

"Your letter October 31 Board approves temporary appointment of Ellis C. Vencill and C. W. Fielder as assistant examiners in the Federal Reserve Agent's department of your bank with salary at the rate of $1,896 and $2,496 per annum respectively effective upon assumption of duties with the understanding that Mr. Fielder will sever his connection with the Fitzpatrick Mortgage Company if and when his appointment is made permanent Stop Please forward further information concerning Fitzpatrick Mortgage Company including names of any other institutions with which it may be affiliated Stop Board assumes that Mortgage Company will pay no salary to Mr. Fielder during any period of his service as examiner on your staff Stop Please advise dates on which appointments become effective."

Approved.

Telegram dated November 14, 1933, to Mr. Walsh, Federal Reserve Agent at Dallas, approved by five members of the Board, stating that it is satisfactory to the Board for him to arrange a vacation as suggested in his letter of November 10, 1933.

Approved.

Reply on November 14, 1933, approved by five members of the Board, to a letter dated November 8 from Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta; the reply reading as follows:

"Receipt is acknowledged of your letter of November 8, 1933, enclosing copies of letters from Mr. Jas. A. Goethe, Assistant Manager of your Savannah Agency, and Mr. L. W. Starr, Assistant Cashier of your Nashville branch, and stating that Mr. Goethe, who has an interest in a produce store, and Mr. Starr, who is interested in a drug store in Donelson, Tennessee, have decided to dispose of these interests as soon as it is possible to do so without incurring a
It is noted from your letter of July 18 that Mr. Starr gives none of his time to the operation of the drug store, and that the time given by Mr. Goethe to the produce store is limited, and your letter of July 24, 1933, expressed the opinion that the activity does not interfere in any way with Mr. Goethe's duties at the Savannah Agency.

"In cases where there is no official connection with the outside business interest, and where the affiliation is represented by a financial investment and any service rendered in connection with such interest is of a character which will not interfere in any way with the officer's or employee's service to the Federal reserve bank or result in any financial or other relationships which might be embarrassing to the Federal reserve bank, the Board has not taken the position that such affiliation should be discontinued.

"It does not appear from the information contained in your letters that, from the standpoint of the best interests of your bank, and from the standpoint of the policy referred to in the Board's letter of April 29, 1933, there is anything in the affiliations of Messrs. Goethe and Starr which would require that they be discontinued, and unless your directors have taken the position that they should be terminated, the Board will interpose no objection to their being retained."

Approved.

Letter dated November 13, 1933, to the board of directors of "The Bank of Willcox", Willcox, Arizona, approved by five members of the Board, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the number of shares of stock of the Federal Reserve Bank of Dallas 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 13, 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                      Federal Reserve Bank


Approved.

Letters dated November 14, 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 institution will be entitled upon the basis of its capital and surplus as of the date upon which its membership becomes effective:

Applicant Bank                      Federal Reserve Bank

"Hyannis Trust Company", Hyannis, Massachusetts.                Boston
"Mechanics and Merchants Bank", Richmond, Virginia.             Richmond
"Williams Savings Bank", Williams, Iowa.                        Chicago

Approved.

Letter dated November 13, 1933, to Mr. Wood, Federal Reserve Agent at St. Louis, approved by six members of the Board, stating that the Board has approved the application of the "Sedalia Bank and Trust Company", Sedalia, Missouri, for permission to exercise the fiduciary
Powers authorized under its charter and the laws of the State of Missouri, provided that prior to the exercise of any of these powers the board of directors of such bank shall adopt an appropriate resolution accepting the three conditions set forth in the letter and shall transmit to the Board, through the agent, a copy of such resolution.

Approved.

Letter dated November 14, 1933, to L:r. O'Connor, Comptroller of Currency, approved by five members of the Board, replying to his letter of November 8 recommending approval of a reduction in the capital stock of "The Fort-Worth National Bank", Fort Worth, Texas, from $2,500,000 to $1,500,000. The reply stated that the Board

"Reference is made to your application for permission to exercise fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

"The Federal Reserve Board has considered the application and authorizes your 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 Peoples-Ticonic National Bank of Waterville, Waterville, Maine had been appointed and was acting on the date the First National Bank of Waterville was authorized by the Comptroller of the Currency to commence business, 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. Action has been deferred upon your application for full fiduciary powers until your 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 14, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of November 8 recommending approval of a reduction in the common capital stock of "The Fort Worth National Bank", Fort Worth, Texas, from $2,500,000 to $1,500,000. The reply stated that the Board
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approves the proposed reduction under the plan submitted, subject to
the conditions set forth in the reply.

Approved.

Letter dated November 14, 1933, to Mr. O'Connor, Comptroller of
the Currency, approved by five members of the Board, replying to his
memorandum of November 1 recommending approval of a reduction of
$25,000 in the common capital stock of "The First National Bank of Hynes",
Hynes, California. 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 14, 1933, to Mr. O'Connor, Comptroller of
the Currency, approved by five members of the Board, replying to his
memorandum of October 10 recommending approval of a reduction of $40,000
in the common capital of "The First National Bank of Okanogan", Okanogan,
Washington. The reply stated that the Board approves the proposed reduc-
tion under the plan submitted, subject to the conditions set forth in the
reply.

Approved.

Letter dated November 11, 1933, to "The Savannah Corporation",
Savannah, Georgia, approved by five members of the Board, reading as
follows:

"The Board has considered your application dated September 14,
1933, for a voting permit under authority of Section 5144 of the
Revised Statutes, as amended, entitling you to vote the stock of
the Savannah Bank and Trust Company, Savannah, Georgia, which you
control, and approves your application as filed. The voting permit
applied for is here inclosed."

Approved.
Letter dated November 13, 1933, to the "First Security Corporation of Ogden", Ogden, Utah, approved by five members of the Board, reading as follows:

"The Board has considered your application dated September 25, 1933, for a voting permit under authority of Section 5144 of the Revised Statutes, as amended, entitling you to vote the stock which you control of certain member banks therein specified. It is understood that you now wish the Board to treat the application at this time as an application for a voting permit limited to the sole purpose of entitling you to vote the stock which you control in First Security Bank of Boise, Boise, Idaho, First Security Bank of Pocatello, Pocatello, Idaho, and Anderson Brothers Bank, Idaho Falls, Idaho, in connection with a plan involving the merger of these banks and the establishment in Idaho of 15 branches of the bank resulting from such merger. The details of the plan of reorganization presented to the Board are more fully set out in Exhibit K of your application.

The Board approves your application for a voting permit limited to the sole purpose above specified, subject to the following conditions:

1. Prior to the issuance of the limited voting permit, the Comptroller of the Currency shall approve the establishment and operation of the 15 proposed branches at the places and in the manner indicated in Exhibit K of your application.

2. Prior to the issuance of the limited voting permit, First Security Bank, Hailey, Idaho, shall either deliver to the Federal Reserve Agent at San Francisco three original counterparts of Exhibit L properly executed and of Exhibit N properly consented to by it or there shall be presented to the Agent evidence satisfactory to him that such bank is neither a subsidiary of your Corporation nor affiliated with your Corporation or with any subsidiary of your Corporation within the meaning of the Board's Regulation P.

3. Prior to the issuance of the limited voting permit you shall execute and deliver to the Federal Reserve Agent at San Francisco, three counterparts of an agreement in the form hereto attached marked Exhibit A.

The Board has referred to the Comptroller of the Currency the question of the establishment and operation of branches mentioned in (1) above.

The agreement referred to in (3) above should be executed on your behalf by George S. Eccles, Vice President, and the corporate seal attested by C. I. Canfield, Assistant Secretary, the officers named in the resolution of authorization constituting Exhibit C of your application.

A copy of this letter has been forwarded to the Agent at San Francisco with instructions to advise the Board when the foregoing conditions numbered (2) and (3) have been complied with in a manner
"satisfactory to him. The Board authorizes the issue of the limited voting permit requested upon receipt of such advice and of notice from the Comptroller that he approves the establishment and operation of the branches mentioned in (1) above, and upon the issue of such permit you will be advised accordingly."

Approved, together with a letter dated November 13, 1933, to the Federal Reserve Agent at San Francisco, also approved by five members of the Board, requesting that he advise the Board by telegram as soon as conditions numbered (2) and (3) in the letter to the First Security Corporation have been complied with to his satisfaction and to forward to the Board two original counterparts of each document filed with him.

Letter dated November 13, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, reading as follows:

"There is transmitted herewith for your consideration an application of the First Security Corporation, Ogden, Utah, filed on behalf of the proposed First Security Bank of Idaho, Boise, Idaho, for permission to establish fifteen branches in the State of Idaho.

"The First Security Corporation, Ogden, Utah, owns and controls twenty-seven banking institutions, sixteen of which are located in the State of Idaho, nine in the State of Utah, and two in the State of Wyoming. It is proposed to consolidate the sixteen banks located in the State of Idaho into a branch banking unit with the main office in Boise, Idaho, and branches in the other fifteen cities now served by the affiliated Idaho banks. Of the sixteen Idaho banks, three are members of the Federal Reserve System and the proposed plan provides for merging these three affiliated State member banks, First Security Bank, Boise, Idaho, First Security Bank, Pocatello, Idaho, and Anderson Brothers Bank, Idaho Falls, Idaho, under the charter of Anderson Brothers Bank, Idaho Falls, retaining membership in the Federal Reserve System, changing the name to First Security Bank of Idaho, moving the main office to Boise, Idaho, and converting into branches the member banks at Pocatello and Idaho Falls.

"Simultaneously with the consolidation of the three member banks it is proposed to absorb the thirteen affiliated nonmember banks by the purchase of acceptable assets and the assumption of liabilities and to establish branches at their respective locations in Idaho, which are as follows: Hampa, Payette, Emmett, Mountain Home, Ashton, Blackfoot, Hailey, Shoshone, Gooding, Jerome, Rupert, Montpelier, and Preston.

"The plan under consideration also provides for the recapitalization of the proposed branch banking unit, First Security Bank of Idaho, Boise, Idaho, through an increase in its common capital to $500,000; the sale of $750,000 of preferred stock to the Reconstruction Finance Corporation; the establishment of a surplus account of
"$250,000, and adequate reserves against securities depreciation and doubtful assets.

A credit investigation of each affiliated bank has been made by an examiner for the Federal Reserve Bank of San Francisco in conjunction with the examiners of the Reconstruction Finance Corporation, and the attached files contain copies of the examiners' reports on each of the affiliated banks, together with a consolidated report showing the various steps in the proposed transaction, the eliminations to be made, and a pro forma statement after charge-offs and recapitalization of the proposed main office.

The Federal Reserve Agent and Executive Committee of the Federal Reserve Bank of San Francisco have recommended the conversion of the affiliated banks into a branch banking unit subject to the conditions that the capital adjustment include $750,000 preferred stock subscription by the Reconstruction Finance Corporation, that all losses, other real estate, claims and judgments and depreciation on lower grade securities be eliminated and that a specific reserve of not less than $150,000 be set up to provide for losses that may accrue in assets classified as doubtful.

The Board is of the opinion that the establishment and operation of the fifteen proposed branches, at the places and in the manner indicated, is in accordance with the provisions of the Federal Reserve Act governing the establishment of branches by a State member bank, provided your approval thereof be given. It is understood that the merger of banks and the establishment of branches referred to, have been approved by the State banking authorities and the Reconstruction Finance Corporation. In view of such approval and the apparently satisfactory condition which will exist in the First Security Bank of Idaho and its proposed branches if the plan under consideration is consummated, the competent management of the holding company and the affiliated banks, and the favorable recommendation of the Federal Reserve Agent and Executive Committee of the Federal Reserve Bank of San Francisco, the Federal Reserve Board is of the opinion that the application of the First Security Corporation, Ogden, Utah, filed on behalf of the proposed First Security Bank of Idaho, for permission to establish fifteen branches in the State of Idaho, should be approved, subject to the following conditions:

1. Prior to merger the First Security Bank, Boise, Idaho, First Security Bank, Pocatello, Idaho, and Anderson Brothers Bank, Idaho Falls, Idaho, shall, if they have not already done so, charge off or otherwise eliminate losses in loans of $126,048.87, losses in overdrafts of $116,76; claims and judgments of $7,664.36; other real estate of $71,715.94, and depreciation in securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities, aggregating $364,568.30, all as shown in the reports of credit investigation made by an examiner for the Federal Reserve Bank of San Francisco as of dates between July 25, 1933 and August 25, 1933.
"2. The bank resulting from such merger shall have capital stock of not less than $1,250,000 and surplus of $250,000, and shall establish reserves of not less than $300,000 for depreciation and any losses which might accrue in assets classified as doubtful.

"3. Prior to absorption by the First Security Bank of Idaho by the proposed purchase of acceptable assets and assumption of liabilities, the thirteen non-member banks shall, if they have not already done so, charge off or otherwise eliminate losses in loans of $14,498.26; claims and judgments of $4,535.44, other real estate of $39,993.46 and depreciation in securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, aggregating $261,915.63, all as shown in the reports of credit investigation made by an examiner for the Federal Reserve Bank of San Francisco as of dates between July 25, 1933, and August 25, 1933. In view of the emergency nature of the application, it will be appreciated if you will advise the Board at your earliest convenience whether or not you approve of the establishment and operation of the branches referred to."

Approved.

Reply on November 14, 1933, approved by five members of the Board, to a letter dated October 12 from Mr. Wood, Federal Reserve Agent at St. Louis; the reply reading as follows:

"Receipt is acknowledged of your letter of October 12, 1933, in which you request to be advised whether a proposed new bank to be formed for the purpose of taking over the assets of another banking institution may lawfully acquire, in connection with such transaction, notes of executive officers of the latter institution. It is understood that application for membership has been made in behalf of the proposed new bank by the organizers thereof, and you desire to know whether the acquisition by the new bank of the notes of the executive officers of the old bank, who will also be executive officers of the new institution, will be in violation of Section 22 (g) of the Federal Reserve Act, as amended. It does not appear whether the new bank is to acquire such notes before or after it becomes a member of the System and subject to the provisions of law to which reference has been made.

"In view of the fact that Section 22 (g) provides a penalty of fine or imprisonment for violations and that the determination of the question whether persons should be prosecuted for such violations is a matter within the jurisdiction of the Department of Justice, the Federal Reserve Board, as stated in its letter of July 11, 1933 (X-7493a), does not feel that it would be appropriate
"for it to undertake to express opinions upon questions of this kind. For your information, however, there is enclosed herewith a copy of an opinion of the Attorney General of the United States rendered under date of August 18, 1933, and your attention is directed to page 2 of said opinion, wherein the Attorney General discusses the legality of a proposed acquisition by a new national bank of notes evidencing indebtedness of its executive officers to closed banks whose assets were to be taken over by the new bank. The Board cannot undertake to express an opinion as to whether such ruling of the Attorney General constitutes a precedent for the situation to which you have reference, but feels that this is a matter which should be determined by the new bank or its attorneys."

Approved.

Telegram dated November 13, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, approved by six members of the Board, reading as follows:

"We are in receipt of the following telegram from Winchester Trust Company, 'We request extension of fifteen days time for filing reports of affiliates and holding company affiliates unable to get signatures on time.' If satisfied that this extension is necessary you are authorized under our letter of September 26 (B-923) to grant same."

Approved.

Reply on November 13, 1933, approved by six members of the Board, to a letter dated November 6 from Mr. Dillistin, Assistant Federal Reserve Agent at New York; the reply reading as follows:

"In compliance with the recommendation in your letter of November 6, 1933, the Board extends to December 9 the time within which the Central Hanover Bank and Trust Company of New York City may file the report of its affiliate domiciled abroad."

Approved.

Telegraphic reply on November 14, 1933, approved by five members of the Board, to a letter dated November 6 from Mr. Case, Federal Reserve Agent at New York; the reply reading as follows:

"Your letter November 6. You are authorized to grant Amalgamated Bank of New York extension of time to obtain and file agreement of
"holding company affiliate Amalgamated Clothing Workers of America on F. R. E. Form P-5, to end including November 20, 1933, provided such extension is, in your opinion, warranted."

Approved.

Telegraphic reply on November 14, 1933, approved by five members of the Board, to a letter dated November 3 from Mr. Sargent, Assistant Federal Reserve Agent at San Francisco; the reply reading as follows:

"Your letter November 3. As Zion's Savings Bank and Trust Company has submitted and published its condition report as of June 30 on form 221 showing information which would have been contained in form 220 had its report been submitted on that form Board will not in the circumstances require the resubmission or republication of revised report of the Zion's Savings Bank and Trust Company affiliate of the Utah Trust and Savings Company."

Approved.

Letter dated November 13, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, reading as follows:

"The Federal Reserve Board desires to expedite in every way possible its action upon matters which require its consideration, particularly in connection with cases which involve the recapitalization and reorganization of state and national banks.

"In this connection there is attached a copy of a letter which the Board has transmitted to the Chairman of the Reconstruction Finance Corporation for the purpose of obtaining the cooperation of the corporation with the view of avoiding the recurrence of some of the difficulties which have been encountered heretofore by reason of announcements that have been made of plans or commitments or proposed meetings of shareholders before the Board was informed fully as to the exact details of the matters upon which its action was necessary. As pointed out in the letter to Mr. Jones, in some instances it has appeared that the institutions concerned have not been advised of the necessity of the Board's approval or had assumed that such approval was a mere matter of form, and the Board has been importuned to grant applications immediately without independent study or investigation, upon the ground that final consideration had already been given to them by the Reconstruction Finance Corporation, the Comptroller of the Currency and others, and that the consumption of any further time or any possibility of adverse action by the Board would result in serious inconvenience or embarrassment. As you know, in some of these cases the Board has found that it must withhold its approval, or condition its approval upon the observance of certain requirements, or at least, in connection with its approval,
"point out certain unsatisfactory conditions.

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

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

"Therefore, it will be appreciated if you will designate some member of your staff to confer with Mr. Faulger, chief of the division of examinations of the Federal Reserve Board, to develop further the details of measures of cooperation between your organization and that of the Federal Reserve Board so that the Board's action upon matters in which you are concerned as Comptroller of the Currency may be facilitated."

Approved.

Telegraphic reply on November 14, 1933, approved by five members of the Board, to a telegram dated October 20 from Governor McKinney of the Federal Reserve Bank of Dallas, stating that the bank has received from the banking code committee of the American Bankers Association a copy of the Banker's Code of Fair Competition reported to have been approved effective October 16, 1933; that advice will be appreciated as to whether the applicable provisions of such code include the Federal reserve banks and, if so, whether it is necessary for the Federal Reserve Bank of Dallas to execute any agreement other than the blanket agreement executed on August 1, 1933; that there are several provisions in the Banker's Code that are more satisfactory from the standpoint of the Federal reserve bank than the provisions of the blanket agreement;
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and that the bank would like to observe them if it is in order for it to do so. The reply read as follows:

"Your wire October 20. Board understands from informal conversations that all banks subject to Banker's Code of Fair Competition are expected to conform thereto in lieu of reemployment agreement previously executed by such banks and that it is not necessary for them to execute any documents in this connection. Definition of term 'bank' in Code includes all national banks, state banks, savings banks (except mutual savings banks) trust companies and private bankers accepting deposits, in the United States proper, and accordingly, Code would not seem by its terms to apply to Federal Reserve Banks. However, it would seem desirable that your Bank consider advisability of conforming to the provisions of Code which are of a nature applicable to Federal Reserve Banks and Board has no objection to Federal Reserve Banks conforming to such provisions."

Approved.

Reply on November 14, 1933, approved by five members of the Board, to a letter dated November 9 from Mr. Curtiss, Federal Reserve Agent at Boston; the reply reading as follows:

"Receipt is acknowledged of your letter of November 9, 1933, regarding the applicability of the Clayton Antitrust Act as amended to directors of your bank and its branches, and it is noted that you will forward to the Board information in this connection regarding all such directors.

"You inclose a copy of a letter from Mr. Allen Hollis, who is a class C director of your bank, from which it appears that none of the corporations of which he is an officer or director make loans secured by stock or bond collateral, with the exception of the State Fire Insurance Company, and that the treasurer of that company, who is its principal executive officer, has assured Mr. Hollis that the company will make no such loans in the future.

"Accordingly, pursuant to the principle stated in the Board's letter of October 27, 1933 (X-7660), Section 8A of the Clayton Act will not be applicable to Mr. Hollis' service to that corporation."

Approved.

Letter dated November 14, 1933, to Mr. Austin, Federal Reserve Agent at Philadelphia, approved by five members of the Board, reading as follows:

Several applications under the provisions of the Clayton Antitrust Act had been forwarded to the Federal Reserve Board by your office and were pending at the time when the Board adopted its revised Regulation L and accompanying forms. Consideration of some of these applications had been delayed by the necessity of obtaining further information, and when the Banking Act of 1933 was enacted, consideration of all pending applications was postponed pending the determination of a number of questions arising under section 8A of the Clayton Act and pending the issuance of revised regulations and forms.

"In view of the fact that section 8A applies to certain relationships to which section 8 did not apply, and in view of the fact that the revised forms call for additional information which is now necessary and which was not called for by the Board's forms heretofore in use, and, further, in view of the fact that, because of the length of time during which some of these applications have been pending, the circumstances surrounding them may have changed either as a result of a change in the banking situation in the community or by a change in the banking connections of the applicant, it is thought desirable that the applicants be requested in all cases to file new applications on the revised forms, thus not only bringing the information down to date but supplying the Board with the additional information required because of the enactment of section 8A.

"Certain of these applications have been the subject of considerable correspondence and study, but for the reasons above stated it is felt that it would be preferable to have new applications in the place of thepending applications.

"For your information the Board's files indicate that the following applications, received from your office, are now pending:

William W. Atterbury Director Philadelphia National Bank of Pennsylvania
   Director Guaranty Trust Company of New York, New York
   Director Continental Illinois National Bank and Trust Company of Chicago, Illinois

Harold S. Schutt Director Wilmington Trust Company of Wilmington, Delaware
   Director Market Street National Bank of Philadelphia, Pennsylvania

   Director Provident Trust Company of Philadelphia, Pennsylvania

Reply on November 14, 1933, approved by five members of the Board, to a letter dated October 31 from Mr. James A. Baker, Chairman of the Guardian Trust Company, Houston, Texas; the reply reading as follows:

"Receipt is acknowledged of your letter of October 31, 1933, inquiring as to the applicability of Section 8A of the Clayton Antitrust Act to the service of certain directors of the South Texas Commercial National Bank of Houston, who are also directors of the Guardian Trust Company of Houston.

"Permits issued by the Federal Reserve Board under the provisions of the Clayton Antitrust Act remain in force until revoked, and authorize the persons to whom they were issued to serve the institutions named, notwithstanding the fact that such institutions may now come within the provisions of Section 8A of that Act.

"The Board's files show that you have been granted a permit to serve as an officer and director of both of the institutions named above, and you may, accordingly, continue to serve as officer and director of both of those institutions, in spite of the fact that Section 8A was enacted after the permit was issued.

"Of course, what has been said above is applicable to any of the other directors of your bank to whom permits have been issued."

Approved.

Reply on November 14, 1933, approved by five members of the Board, to a letter dated November 1 from Mr. J. C. Persons, President
of The First National Bank of Birmingham, Alabama; the reply reading as follows:

"Reference is made to your letter of November 1, 1933, addressed to Governor Black of the Federal Reserve Board. You request to be advised whether officers or directors of your bank may lawfully continue to serve as officers or directors of the Woodlawn American National Bank, the Leeds American National Bank, the Fairfield American National Bank, the North Birmingham American Bank, a nonmember institution, the Tarrant American Savings Bank, a nonmember institution, and the Ensmey Bank and Trust Company, a nonmember institution. You state that in each case a permit covering the services in question has previously been obtained from the Federal Reserve Board in accordance with the provisions of Section 8 of the Clayton Antitrust Act, and, in view of this fact, you further request to be advised whether it will now be necessary to obtain additional permits.

"Section 8A of the Clayton Antitrust Act prohibits an officer, director, or employee of a national bank from serving, after January 1, 1934, as an officer, director, or employee of any corporation (other than a mutual savings bank) which shall make loans secured by stock or bond collateral other than to its own subsidiaries. This section applies to all corporations, including banking institutions, and it therefore prohibits the services to which you refer, after January 1, 1934.

"However, while Section 8A of the Clayton Antitrust Act forbids certain relationships which were not forbidden by the provisions of Section 8 of that Act, permits heretofore issued covering services within the prohibitions of Section 8 authorize the person to whom they were issued to serve the same banks, notwithstanding the fact that such banks are now within the prohibitions of Section 8A, as well as Section 8. It will not be necessary, therefore, for officers and directors of your bank who are serving other institutions to obtain new permits covering the services described in their present permits.

"Of course it is possible that officers and directors of your bank who have received permits from the Federal Reserve Board are serving banking institutions not covered by those permits, because a number of such institutions which did not come within the prohibitions of Section 8 of the Clayton Act will come within the prohibitions of Section 8A. In all such cases it will be necessary for the officer or director to obtain a new permit covering all of the institutions which he is serving which come within the prohibitions of the Clayton Act, as amended.

"However, your attention is called to the fact that the Board is authorized to grant a permit covering the service of not more than three banking institutions, with the result that if any such officer or director is serving more than three banking institutions coming within the prohibitions of the Clayton Act, it will be
"necessary for him to sever his connections with all but three of such institutions, or else to sever his connection with all national banks."

Approved.

Letter dated November 14, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by five members of the Board, replying to a letter dated October 26 from Assistant Federal Reserve Agent Sargent; the reply reading as follows:

"Reference is made to Mr. Sargent's letter of October 26, 1933, in which he states that subsequent to June 16, 1933, the First Security Bank of Boise, Boise, Idaho, a member bank, issued time certificates of deposit bearing interest at a rate in excess of 3 percent and such member bank now maintains that it cannot repudiate these contracts and that such certificates must bear the higher rate of interest until they mature.

"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. In the circumstances it is suggested that you advise the First Security Bank of Boise of the Board's views on this question as expressed herein."

Approved.

Telegraphic reply on November 14, 1933, approved by five members of the Board, to a telegram dated October 31 from Mr. Hale, Cashier of the Federal Reserve Bank of San Francisco; the reply reading as follows:
"Retel October 31. Payment of 3 percent interest on thirty day certificate of deposit even though reissued at or after maturity not in violation of Regulation Q for reason that each certificate is a separate contract. In case of reissue of certificate no interest may be paid for period between date of maturity of original and date on which renewal certificate actually issued as provided in X-7656 October 24, 1933. Same principle not involved in payment of interest on savings deposits as such deposits are subject to one continuing contract without definite maturity. Credit of interest at rate of three percent per annum and addition thereof to principal amount of savings deposit at quarterly intervals would therefore constitute compounding of interest quarterly and payment of interest at a rate in excess of maximum prescribed in Regulation Q."

Approved.

Reply on November 13, 1933, approved by six members of the Board, to a letter dated November 1 from Mr. Paul P. Brown, Secretary of the North Carolina Bankers Association, Raleigh, North Carolina, the reply reading as follows:

"Reference is made to your letter of November 1, 1933, inclosing a copy of a bulletin with an attached summary of the provisions of the Federal Reserve Board's Regulation Q, which you advise you have transmitted to all banks in North Carolina.

"It has heretofore been suggested that the Board should itself prepare a statement with regard to the provisions of Regulation Q, but the Board stated that it did not believe that it would be advisable to do so. The regulation was carefully prepared and the Board did not feel that it should undertake the task of restating its provisions in a different form at this time, except in so far as interpretations based on the facts of particular cases may be necessary, and such interpretations, to the extent that their publication may seem helpful, will be published in the Federal Reserve Bulletin. For like reasons, the Board feels that it would not be advisable for it to review the bulletin and summary submitted with your letter with a view to expressing any opinion with regard thereto. While the summary is, of course, of a non-technical character, it would nevertheless be regarded as an authoritative interpretation of the law and the regulation if approved by the Federal Reserve Board. One or two points may be mentioned, however, which have suggested themselves in reading the bulletin and summary which you have submitted. It is noted that the statement is made that the rate of interest of 3 per cent on savings and time deposits applied to all members of the Federal Reserve System on June 16, 1933; but, as you will observe from Regulation Q, the maximum rate of 3 per cent
per annum on time and savings deposits became effective on November 1, 1933. Items 4 and 5 under the caption 'savings accounts' in the summary are so worded that it is believed they may be subject to misinterpretation and they do not seem to conform fully to the requirements of the regulation which are contained in Sections V (a) and VI. Other statements contained in your summary do not appear to be entirely accurate but it is assumed that this is due in part to a desire to emphasize the main points of the summary through the use of brief statements.

"The Bankers' Code of Fair Competition is a matter which is not within the province of the Federal Reserve Board, and accordingly, the Board is not in a position to make any comment on any of the statements contained in the inclosures with your letter regarding the Code or the interpretation thereof."

Approved.

Reply on November 13, 1933, approved by five members of the Board, to a letter dated October 3 from Mr. Clyde D. Merchant, Vice President and Trust Officer of The First National Bank of Wenatchee, Washington; the reply reading as follows:

"Reference is made to your letter dated October 3, 1933, in which you ask to be advised whether the rules of your bank governing savings deposits, a copy of which you inclose, are in conformity with the Board's Regulation Q.

"It is noted from the copy of the rules submitted that each savings deposit is divided into three portions; the first portion consisting of the first $100 of the savings deposit, the second portion consisting of the next $200, and the third portion embracing the balance thereof, and that written notice of intended withdrawal of thirty-one, ninety and one hundred and eighty days respectively, is required with respect to all or any part of each such portion. It is also observed that 'each such portion of every savings account shall be considered and held to be separate and distinct from the other two portions thereof, and that separate and distinct rules and regulations may be made for each portion, which rules when made shall have no effect whatsoever upon any other portion.'

"The Board has heretofore ruled that the word 'portion' as used in section VI of Regulation Q is to be interpreted as including a specified amount and that a member bank may pay any specified amount of the savings deposit of any depositor without requiring notice of intended withdrawal provided that, upon request and without requiring such notice, it shall pay the same specified amount of the savings deposits of every other depositor which 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 Regulations 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 this connection it is noted that your rules do not specify the terms and conditions of a waiver of notice of withdrawal but merely reserve to the bank the right, in its discretion, to waive such notice as to any one or all of the three portions of a savings account. If, therefore, under your rules as presented, your bank should, for example, waive notice of withdrawal as to the first portion of each savings account, after the withdrawal of the amount of $100 from the savings account of any depositor without notice no further withdrawals without notice from such account would be permissible unless and until the bank should take proper action to authorize withdrawals of additional amounts from all savings accounts without requiring notice. In this connection the provisions of section VI of Regulation Q must be observed and your attention is called particularly to subsections (b) and (c) of that section relating to changes in the practice of a member bank with respect to the requiring or waiving of notice of intended withdrawals of savings deposits. Your bank may, however, as indicated above and subject to the conditions stated, prescribe a period during which the first portion or any other specified amount may be withdrawn from a savings deposit without notice, in which event the adjustment of the several portions of the savings deposit could be made at stated intervals.

"It is assumed that you have submitted only a part of the provisions of the rules of your bank governing savings deposits and that in other provisions of these rules there is a provision, as required by the definition of savings deposits contained in Regulation Q, that the savings pass-book be presented to the bank whenever a withdrawal is made."

Approved.

Reply on November 13, 1933, approved by five members of the Board, to a letter dated October 3 from Mr. J. D. Stocker, Cashier of the Otoe County National Bank, Nebraska City, Nebraska; the reply reading as follows:

"The Comptroller of the Currency has referred to the Board your letter of October 3, 1933, in which you request to be advised whether you may pay a time certificate of deposit issued to the County Judge of your County covering funds consisting of unclaimed legacies of lost and missing heirs which according to law become
"the property of the County after they are held for ten years. You state that a portion of these funds should now be transferred to the County Treasurer and the County Judge is desirous of surrendering this certificate and making the transfer.

"Under the law no member bank of the Federal Reserve System may lawfully pay any time deposit before its maturity and the Federal Reserve Board is not authorized to make any exception to this prohibition of the statute. Your bank, therefore, may not lawfully pay the amount of the time certificate of deposit concerning which you inquire before the date of its maturity.

"You suggest that there is an exception to this prohibition in favor of funds of political subdivisions. Deposits of public funds of States, counties, school districts or other subdivisions or municipalities with respect to which the payment of interest is required under State law are excepted from the prohibition upon the payment of interest on deposits payable on demand but are not excepted from the prohibition upon the payment of any time deposit before its maturity."

Approved.

Reply on November 14, 1933, approved by five members of the Board, to a letter dated November 6 from Mr. Dillistin, Assistant Federal Reserve Agent at New York; the reply reading as follows:

"This refers to your letter of November 6, inclosing copies of letters received from the Continental Bank and Trust Company and the Central Hanover Bank and Trust Company, both of New York, requesting rulings as to the manner in which certain deposits should be reported in Schedule Q, Number of Depositors and Amount of Deposits.

"As you doubtless know, the information called for by Schedule Q is being collected for the use of the Federal Deposit Insurance Corporation, of which the Comptroller of the Currency is a director. Accordingly, as the Comptroller's office has received similar inquiries from national banks, the questions raised were taken up with that office. On the basis of the information received therefrom you are advised as follows:

"Deposits in the banking department of a bank or trust company standing to the credit of its trust department should, for the purposes of Schedule Q, be treated as the deposits of one depositor for each account shown by the books of the trust department. Accordingly, in the example given in the letter of the Continental Bank and Trust Company, the 'Jones' account and the four 'Jones Building' accounts should be treated as constituting the deposits of five different depositors.

"Outstanding dividend checks issued by a bank or trust company for the account of a corporation and, pending payment thereof,
"included in the deposits of the banking department should be considered as part of the deposits of that corporation. In other words, the aggregate amount of such checks outstanding should be combined with whatever deposits appear on the bank's books to the credit of the corporation. As indicated by Schedule Q, the total of all deposits reported therein must agree with the total of items 14 to 18, inclusive, of condition report Form 105."

Approved.

Telegraphic reply on November 14, 1933, approved by five members of the Board, to a telegram dated October 31 from Mr. Hoxton, Federal Reserve Agent at Richmond; the reply reading as follows:

"Referring your wire October 31 Board is of opinion that certificate of deposit payable upon notice in writing which is actually required to be given by the depositor not less than thirty days before repayment and containing also reservation by bank of right to call certificate for payment upon notice in writing to depositor of not less than thirty days is time certificate of deposit provided it otherwise conforms to the definition contained in Regulation Q and such a certificate may lawfully be paid at the expiration of the period of notice given by the depositor or by the bank in accordance with the terms of the certificate. In this connection, it is suggested that it would be desirable to include in forms of time certificates of deposit a clause substantially as follows: QUOTE 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. UNQUOTE"

Approved.

Reply on November 14, 1933, approved by five members of the Board, to a letter dated October 28 from Mr. W. E. McClintock, Cashier of The Charlotte National Bank, Charlotte, North Carolina; the reply reading as follows:

"Reference is made to your letter of October 28, 1933, making inquiry as to the payment of 4 percent interest on outstanding time certificates of deposit which were issued prior to June 16, 1933. "The Federal Reserve Board's Regulation Q does not prohibit the payment of interest in excess of 3 percent per annum, compounded semi-annually, on time certificates of deposit which were entered
"into prior to the date of enactment of the Banking Act of 1933, June 16, 1933, and in effect on that date and which may not lawfully be terminated or modified by the member bank at its option or without liability; but no such certificate of deposit may be renewed or extended unless it be modified to conform to the provisions of the regulation, and every member bank is required to take such action as may be necessary as soon as possible consistently with its contractual obligations to bring all such certificates of deposit into conformity with the provisions of the Board's Regulation Q. Accordingly, it is the duty of your bank to terminate or modify the certificates of deposit concerning which you inquire so as to eliminate the provision for the payment of interest thereon at a rate in excess of 3 percent per annum, if this may lawfully be done at the option of the bank and without liability. It is assumed from your letter that notice to the holders of such certificates would lawfully effect a modification of the contract in accordance with the provisions of such notice and if this is true your bank may not lawfully pay interest on such certificates in excess of 3 percent per annum subsequent to the effective date of a modification of the certificates which eliminates the provision for the payment of interest at a rate in excess thereof."

Approved.

Telegram dated November 13, 1933, from Mr. Hamilton, Governor of the Federal Reserve Bank of Kansas City, reading as follows:

"Local chapter American Institute of Banking desires to place in nomination for National Vice President of organization our assistant cashier W. W. E. Park stop. Election as Vice President generally means election to presidency the following year stop. Year of encumbency as President requires about one third of encumbent's time stop. Have made inquiry at St. Louis and Dallas banks, and Governors report that in case of their Messrs. Hall and Evans respectively executive training received while president was worth much more to these individuals and to banks than loss of time from banking duties stop. Inasmuch as A I B is educational division of American Bankers Association, our directors have voted unanimously that they will interpose no objections to the nomination of Mr. Park provided Federal Reserve Board does not interpose objection stop. Would appreciate early advice from Board as local chapter desires to place Mr. Park in nomination at earliest possible moment."

Mr. James moved that the Board interpose no objection to the placing of Mr. Park's name in nomination for National Vice President of the American Institute of Banking.

Carried.
Governor Black referred to the draft of letter to the Secretary of the Treasury with regard to the preparation of fully engraved plates for the printing of Federal reserve bank notes for Federal reserve banks, which was discussed at the meeting of the Board on October 17, 1933, and he stated that he had considered the matter further with Mr. Smead, Chief of the Division of Bank Operations, and that it was felt that, in view of the possibility that large amounts of Federal reserve bank notes will be issued in the future, the plates referred to should be prepared.

After discussion, the proposed letter to the Secretary of the Treasury was approved in the following form:

"The Board has deferred replying to Mr. Douglas' letter of May 6 with regard to the preparation of fully engraved plates for the production of Federal Reserve bank notes for the twelve Federal Reserve banks, pending a decision as to whether any material volume of such notes should be printed in the near future. While no decision has yet been reached on this point, the Board is of the opinion that, in the circumstances, it is desirable to proceed, at this time, with the preparation of fully engraved plates for the production of Federal Reserve bank notes of the $5, $10 and $20 denominations. The Board has been advised by the Bureau of Engraving and Printing that these plates will cost approximately $15,000.

"With regard to textual changes in the notes, to which reference is made in Mr. Douglas' letter, the Board feels that a number of such changes should be made, and if it meets with your approval the Board will be glad to have its staff discuss such changes with representatives of your Department."

Reference was then made to a review of branch banking in the United States as of December, 1932, prepared in the Division of Bank Operations under date of October 23, 1933, copies of which had been furnished to all members of the Board by Mr. Smead, Chief of the Division of Bank Operations, with the suggestion that copies of the memorandum be sent to all Federal reserve banks.

The Secretary was requested to send copies of the memorandum to the Federal reserve agent at each Federal reserve bank.
Reference was then made to the discussion at the meeting of the Board on October 9, 1933, with regard to a possible application for membership from the Banco de Ponce, Ponce, Puerto Rico, and to the suggestion made at that meeting that it would be advisable for the bank to take up the question of membership in the Federal Reserve System with the Federal Reserve Bank of New York, and Mr. Morrill stated that Mr. Case, Federal Reserve Agent at New York, had advised that the matter had progressed to a point where the next step would be to send examiners to Puerto Rico for the purpose of making an examination of the bank and the necessary survey of banking and business conditions in Puerto Rico in connection with the application, but that, before such action is taken, Mr. Case would like to be advised whether the Board, as a matter of policy, would be willing to admit to membership banks situated outside of the continental United States. Mr. Morrill also stated that the same question with regard to membership of banks in Alaska is presented as a result of inquiries by the First National Bank of Ketchikan, Alaska, of the Federal Reserve Agent at San Francisco, with regard to membership of the national bank in the Federal Reserve System.

A discussion ensued, during which the opinion was expressed by some of the members of the Board that, in view of the provisions of Section 19 of the Federal Reserve Act, the Board should not take the position that it will not admit a bank to membership for the reason that it is located outside of the continental United States.

Mr. James stated that, in view of the difficulty in obtaining
trained examiners, with sufficient knowledge of local conditions, to make examinations of banks located in Alaska and in the dependencies and insular possessions of the United States, and because of the adverse effect which examinations would have on the public confidence in such banks if their applications for membership were not approved, the Board, at this time, should not entertain applications from such banks.

At the conclusion of the discussion, Mr. James moved that the Board take the position that it is not inclined at this time to admit to membership banks situated in Alaska or in the dependencies and insular possessions of the United States.

Mr. Szymczak moved as a substitute for Mr. James' motion that the Federal reserve agents at New York and San Francisco be requested to submit to the Board all of the information which they have and that in their opinion should be considered in connection with the question as to the advisability of considering the applications of the Bank of Ponce and the First National Bank of Ketchikan, respectively, and that the agents be advised that after this information has been considered by the Federal Reserve Board they will be advised as to whether examinations of the banks should be made.

Mr. Szymczak's substitute motion was put by the chair and carried.

Further reference was then made to the proposed letters to Mr. Peyton, Federal Reserve Agent at Minneapolis, and Mr. Newton, Federal Reserve Agent at San Francisco, with regard to the discontinuance of the Helena and Spokane branches, which were considered at the meeting of the Board on October 26, 1933, but action on the matter was deferred until next Monday.

Mr. Thomas then stated that he had discussed with the representatives of the Dissenting Depositors' Committee the revised plan of
reorganization of the Union Trust Company of Baltimore, Maryland, and
that the representatives had only one minor change to suggest in the
proposed contract between the trust company and the City Certificates
Corporation.

At the suggestion of the other members present, Governor Black
left the room to ascertain from Mr. Miller, who was confined to his
home by illness, whether he would have any objection to the Board acting
upon the application of the Union Trust Company for membership in his
absence. Upon his return to the meeting Governor Black stated that Mr.
Miller had advised that he had discussed the matter with Mr. Thomas and
that he was in favor of approval of the application by the Board and
wished to be so recorded.

Mr. Hamlin then moved that the application of
the Union Trust Company of Baltimore for membership
in the Federal Reserve System be approved, subject
to conditions suggested by the Board's Division of
Examinations, by the Legal Division, and by Mr.
Thomas.

Further discussion followed, during which Mr. James referred to
the fact that the revised plan provides that all dividends on the stock
of the trust company shall be turned over to the City Certificates Cor-
poration and used to pay the certificates of beneficial interest which
would be issued in the total amount of approximately $10,000,000 to
waiving depositors, and he stated that under this arrangement the stock
of the trust company would have very little, if any, value and the
stockholders would have no material interest in the success of the trust
company, and that, in his opinion, the bank would not be a sound institu-
tion and its opening would not be in accordance with the position of the
President of the United States that only sound banks should be permitted to reopen. He stated that it would appear that the management of the bank would be largely in the hands of those responsible for its present unsatisfactory condition and that he felt the responsibility of the Board goes beyond the point of requiring the restoration of the condition of a bank, and that before approving an application for membership the Board should have definite assurances as to the bank's management.

In connection with the question whether there is any liability on the part of the trust company with regard to the payment of the certificates of beneficial interest proposed to be issued to waiving depositors, Mr. Wyatt stated that, under the proposed contract between the trust company and the City Certificates Corporation, the former would be obligated to pay to the corporation the proceeds of all recoveries on written-off and charged-down assets and any other funds that it would have for distribution to shareholders, whenever the board of directors of the bank and the State bank commissioner felt that such payments could be made without impairing the financial condition of the bank, and that this obligation would be a contingent liability on the part of the trust company, but that as a matter of law it did not constitute an impairment of the trust company's capital in any way. Mr. Szymczak then reviewed a list of points which had been covered in the Board's previous consideration of the matter and Governor Black and Mr. Thomas outlined the results of the negotiations that had taken place with respect to each point.

At the conclusion of the discussion, Mr. Hamlin's motion was put by the chair and carried, Messrs. James and Szymczak voting "no".
There were then presented the following applications for original stock of Federal reserve banks:

**Applications for ORIGINAL Stock:**

<table>
<thead>
<tr>
<th>District No. 5.</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>First National Bank in Orangeburg, South Carolina</td>
<td>68</td>
</tr>
<tr>
<td>National Bank of Keyser, West Virginia</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>District No. 7.</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rochester National Bank of Rochester, Michigan</td>
<td>36</td>
</tr>
</tbody>
</table>

**Total** 179

Approved.

Thereupon the meeting adjourned.

Approved:

[Signature]

Governor.

[Signature]

Secretary.