A meeting of the Federal Reserve Board was held in Washington on Monday, November 20, 1933, at 2:30 p. m.

PRESENT: Mr. Black, Governor
Mr. Hamlin
Mr. Miller
Mr. James
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

Governor Black presented a draft of letter, prepared in accordance with the action taken by the Board at its meeting on November 15, 1933, to the board of directors of the Union Trust Company of Baltimore, Maryland, advising of approval by the Board of the institution's application for membership in the Federal Reserve System and for stock in the Federal Reserve Bank of Richmond, subject to the conditions set forth in the letter. Governor Black referred to condition numbered 33 which stated that, prior to admission to membership, such bank shall issue and sell for not less than par value capital notes or debentures in an amount not less than $500,000, maturing in not less than twenty years, and bearing interest at a rate of not more than 5% per annum, which notes or debentures, under the terms of the subscription therefor, shall be subordinate to the rights of depositors and other creditors, and, prior to admission of such bank to membership, the form of the capital notes or debentures referred to shall be submitted to and approved by the Federal Reserve Board.
Governor Black stated that Mr. Brewster, President of the Union Trust Company, had called on him last Saturday, November 18, 1933, and presented a form of debenture proposed to be issued by the trust company in accordance with the condition of membership above referred to, but which provides that the debentures would have a maturity of seven instead of twenty years, and that interest on the debentures would not be subordinated to the claims of depositors and other creditors, but would be on the same basis as such claims. The reason given by Mr. Brewster for the shorter maturity of debentures, Governor Black said, was that it would be difficult to sell them if the longer maturity were retained.

Governor Black also stated that the matter was taken up with the individual members of the Board on Saturday, but that some of the members had expressed the opinion that the proposed form should be considered at a meeting of the Board.

During the ensuing discussion, the question was raised as to whether Mr. Thomas favored the issuance of the seven-year debentures, and Mr. Szymczak stated that he had discussed the matter with Mr. Thomas before he left Washington, and that he had expressed approval of the shorter maturity.

At the conclusion of the discussion, upon motion by Mr. Hamlin, the form of proposed debenture was approved, Messrs. James and Szymczak voting "no".

The condition of membership numbered 33 was amended to provide that, prior to admission to membership, the Union Trust Company shall issue and sell for not less than par value capital notes or debentures in an amount not less than $500,000, maturing in not less than seven years and bearing interest at a rate of not more than 5% per annum, which notes or debentures, under the terms of the subscription therefor, shall be
subordinate to the rights of depositors and other creditors, except as to interest on such debentures, and such debentures shall be in the form heretofore submitted to and approved by the Federal Reserve Board, of which a copy was attached to the letter as thus amended.

The amended letter to the board of directors of the Union Trust Company, advising of approval of the company's application for membership in the Federal Reserve System was then approved.

In connection with the above matter, there was presented the following draft of letter to the "City Certificates Corporation", Baltimore, Maryland:

"The Federal Reserve Board has had under consideration your application for a voting permit under authority of Section 5144 of the Revised Statutes, as amended, entitling you to vote stock of the Union Trust Company of Maryland owned or controlled by you and approves the application, effective if and when the Union Trust Company of Maryland becomes a member of the Federal Reserve System through the issuance of stock in the Federal Reserve Bank of Richmond to that Trust Company and subject to the numbered conditions hereafter set forth:

1. Prior to the issue of the voting permit, not less than 97 percent of the stock of the Union Trust Company of Maryland shall be exchanged for stock in the City Certificates Corporation and transferred to that corporation.

2. Prior to the issue of the voting permit, City Certificates Corporation shall deliver to the Federal Reserve Agent at the Federal Reserve Bank of Richmond, an agreement in the form hereto attached marked Exhibit A, duly executed by it.

The Federal Reserve Agent should be furnished with evidence satisfactory to him that the transfer of stock referred to in (1) above has been effected. He should also be furnished with three certified copies of a resolution of your Board of Directors specifically authorizing the execution of the agreement referred to in (2) above and three original counterparts of such agreement executed by the officers designated in such resolution.

When the Federal Reserve Board has been advised by the Agent at Richmond that the conditions prescribed above have been complied with to his satisfaction, and that the Union Trust Company of Maryland has been admitted to membership in the Federal Reserve System, the Board will forward to you the voting permit applied for."

Approved, together with a letter to the Federal reserve agent at Richmond requesting that he notify
the Board by telegram as soon as the conditions prescribed in the letter above referred to have been complied with to his satisfaction and stock in the Federal Reserve Bank of Richmond has been issued to the Union Trust Company of Maryland, and stating that the agreement to be executed by the City Certificates Corporation provides that among other things its management shall at all times be satisfactory to the Bank Commissioner of the State of Maryland and to the Federal reserve agent, that the Board understands that the management of the corporation is to be the same as that of the reorganized Union Trust Company, and that in accordance with this understanding it is requested that the agent satisfy himself that any necessary changes in the management of the Corporation have been or will be made.

Mr. Hamlin stated that Senator Glass had called him on the telephone this morning and had requested to be advised officially by the Board as to whether the Board was influenced by General John-son, Administrator of the National Recovery Administration, to omit from the review of the month appearing in the November issue of the Federal Reserve Bulletin the usual review of business and credit conditions. Mr. Hamlin stated that he had informed Senator Glass that he would submit the request to the Board.

In connection with the above matter, Governor Black advised that he had received a suggestion that it would be appreciated if the Federal Reserve Board would allow statements in the Federal Reserve Bulletin to be reviewed by an interpreting economist from the Central Statistical Board before the Bulletin is published in order that conditions might be fully presented; that he had discussed this with Mr. Goldenweiser, Director of the Board's Division of Research and Statistics; and that Mr. Goldenweiser had stated that, because of the unusual
and rapidly changing conditions, it was very difficult to prepare a satisfactory review of credit and business conditions, and it was for that reason that such a review was not included in the current issue of the Bulletin. Governor Black also said that he had advised Mr. Goldenweiser that, until otherwise instructed by the Board, he should not depart from the practice now being followed in the preparation and review of material for the Federal Reserve Bulletin.

Governor Black then stated that, in connection with the request of Senator Glass, he would suggest that he be advised that the Administrator of the National Recovery Administration had made no suggestion to any member of the Board or its staff with regard to what should be published in the November Bulletin.

The Secretary was requested to advise Senator Glass in accordance with Governor Black's suggestion.

There was then presented a draft of letter to the Attorney General of the United States which had been prepared by Mr. Morrill in accordance with the statement made by him at the meeting of the Board on October 12, 1933, and which had been initialed in the following form by all of the appontive members of the Board except Mr. Miller:

"The Federal Reserve Board has directed me to transmit to you herewith copies of certain material as follows:

"with forty-two folders containing exhibits referred to in Mr. Beaton's report.

"Report dated February 28, 1933 (contained in loose leaf binder) made to the Chief of the Division of Examinations, Federal Reserve Board, Washington, D. C., by Mr. C. E. Cagle, an examiner of the division of examinations of the Federal Reserve Board, entitled 'Re: Investigation of Don A. Jones, former Assistant Deputy Governor in Charge of Fiscal Agency Division' relating to certain transactions in Government obligations handled in the fiscal agency department of the Federal Reserve Bank of Chicago, together with all the exhibits referred to in this report.

"Supplemental report by C. E. Cagle, examiner of the division of examinations of the Federal Reserve Board, in regard to certain transactions in Government obligations affecting the Citizens State Bank of South Haven, Michigan, together with the exhibits referred to therein.


"Memorandum from C. R. McKay to the Governor of the Federal Reserve Board, dated March 31, 1933.

"Letter dated April 17, 1933, from James Simpson of Chicago to the Secretary of the Federal Reserve Board in regard to certain subscriptions by Mr. Simpson for new issues of Government obligations and the inclosure transmitted therewith.

"Report dated April 27, 1933, to the Chairman of the board of directors of the Federal Reserve Bank of Chicago, by the Auditing Department of that bank, entitled 'Report of Analysis of Subscriptions to and Allotments of United States Treasury Notes, United States Treasury Bonds, and United States Certificates of Indebtedness, offered during the years 1931 and 1932, and Details and Events Leading Up to the Resignation of D. A. Jones, former Assistant Deputy Governor in Charge of Fiscal Agency Operations'.

"Report dated May 22, 1933, by A. F. Shafer of his investigation of certain transactions affecting the First National Bank of Paw Paw, Michigan, made under the direction of the Chief National Bank Examiner of the Seventh Federal Reserve District, at the request of the division of examinations of the Federal Reserve Board, together with the exhibits referred to therein.

"Report submitted June 19, 1933, by Robert K. Stuart, national bank examiner, of an investigation of certain transactions in the First National Bank of Ripon, Wisconsin, in connection with subscriptions for Government obligations, made at the request of the division of examinations of the Federal Reserve Board, together with the exhibits attached thereto.
"The information contained in the material transmitted here-
with relates to irregularities found during the investigation
of certain transactions involving subscriptions to new issues
of United States Government obligations which were handled in
the fiscal agency department of the Federal Reserve Bank of
Chicago and in certain member banks of the Federal reserve sys-
tem, and is submitted to you for the consideration of your de-
partment."

Mr. Miller stated that he had not initialed the letter be-
cause he assumed that Mr. Woodin had some good reason for retaining
in his office the first draft, and that he would prefer not to have
the matter disposed of until it could be ascertained whether Mr.
Woodin knew of any reason for not transmitting the letter to the
Attorney General.

Mr. Morrill reviewed the circumstances surrounding the first
draft of letter to the Attorney General; referred to Mr. Wyatt's mem-
orandum of March 31, 1933, advising that, in his opinion, the matter
should be submitted to the Attorney General; and stated that Mr.
Hewes, Assistant Secretary of the Treasury, had taken the matter up
with him, advising that the question had been referred to Mr. Hewes
for handling by the Secretary of the Treasury, and that Mr. Hewes
felt that a letter of the kind which had been drafted should be sub-
mitted to the Department of Justice. Mr. Morrill also stated that
he had advised Mr. Hewes that he would show him the new draft of let-
ter to the Attorney General when prepared, but that it was felt that
before doing so the letter should be approved by the Federal Reserve
Board.

After discussion, upon motion by Mr. Hamlin,
the proposed letter was approved, Mr. Miller "not
voting".
Consideration was also given to a letter dated November 14, 1933, from Mr. Harrison, Governor of the Federal Reserve Bank of New York, reading as follows, copies of the letter having been furnished to all appointive members of the Board:

"Referring to our letter of September 29, which I subsequently amplified orally at the request of your board, and your telegram of October 10, our directors again have considered the matter of purchasing the property east of our present bank building, known as the Montauk property, and again have come to the conclusion that, if this property still can be obtained on the terms previously negotiated, it will offer a most advantageous opportunity to acquire an area which eventually should be part of our holdings. The reasons for the purchase, which we earlier advanced, still are controlling in our opinion and, in addition, the increasing possibility of foreclosure by the mortgage holders suggests that action should be taken before the property comes into stronger hands than those of its present owners and the cost of a foreclosure action, possibly, has been added to the present price.

"We do not wish to enter into further negotiations regarding this property, however, until we are assured that we can conclude the transaction upon agreement as to our terms with the present owners. Our directors wish to repeat, therefore, their earnest request that the Federal Reserve Board give its approval to the proposal for the purchase of the Montauk property, which was set forth in our letter of September 29. If you do so approve, and if the property then is purchased as contemplated, it would be our purpose to have plans drawn for an extension of the present bank building, to cover the newly acquired land, and to obtain estimates of the cost of construction of such an addition. We already have made a preliminary exploration of this question on the basis of the original plans for this area, and the indications are that, at today's prices, the total cost of building would be in the neighborhood of $360,000. Before proceeding beyond the point of obtaining more accurate estimates, of course, we should again consult your board.

"If there is any further information concerning this proposal which you would like to have, we shall be glad to furnish it to you."

Upon motion by Mr. Hamlin, the Secretary was requested to advise Governor Harrison that the Board has given further careful consideration to the request of the directors of the Federal Reserve Bank of New York and interposes no objection to the purchase by the bank of the so-called Montauk property at a cost of not to exceed $356,250 (with adjustments for taxes, interest, insurance, current operating expenses and rentals), Mr. James voting "no".
There was then presented a memorandum dated November 11, 1933, from Mr. Smead, Chief of the Division of Bank Operations, suggesting certain changes to be incorporated in the balance sheet form 34 to be used by Federal reserve banks during 1934 in submitting daily reports of assets and liabilities to the Board, the changes in the form relating to the subscription which the Federal reserve banks are required to make to the stock of the Federal Deposit Insurance Corporation and to a number of items which have been in use since the passage of recent legislation.

The proposed changes in the form were approved.

In connection with the above matter there was also presented a memorandum dated November 9, 1933, from Mr. Morrill referring to the fact that at the request of the Federal Reserve Banks of Cleveland and Minneapolis the recent Governors' Conference discussed, but took no action with regard to, the possibility of obtaining a refund from the Treasury Department of the franchise taxes paid by Federal reserve banks for the last half of 1932; the Banking Act of 1933 having amended the first paragraph of section 7 of the Federal Reserve Act to eliminate therefrom, effective as of July 1, 1932, the provision for the payment of franchise taxes to the United States by Federal reserve banks. The memorandum stated that franchise taxes were paid by the Federal Reserve Banks of Cleveland, Chicago, and Minneapolis for the year 1932 in the total amount of $2,011,418; that the Treasury Department had advised Mr. Smead, Chief of the Division of Bank Operations, that refunds representing the franchise taxes paid by the Federal reserve banks referred to for the last half of 1932 could be made by the Treasury Department only after an
appropriation by Congress; and that it is felt, therefore, that the Federal Reserve Board should decide whether it will ask the Treasury Department to request an appropriation for the purpose of reimbursing the Federal reserve banks. Mr. Morrill stated that the matter had been discussed by the members of the Board's staff and that it was felt that, as a matter of policy, the question should not be raised with the Treasury Department at this time. Mr. Wyatt stated that he understood that the Federal Reserve Bank of Chicago had submitted a request to the Treasury Department for the refund of the tax paid by it. A discussion ensued during which the opinion was expressed by some of the members of the Board that the Federal Reserve Board should support any request of the Federal reserve banks involved for the refund of franchise taxes paid by them for the last half of 1932.

At the conclusion of the discussion, Mr. Miller moved that the opinion as expressed be adopted as the position of the Board in the matter.

Carried.

The Board then considered and acted upon the following matters:

Reply on November 16, 1933, approved by five members of the Board, to a letter dated November 13 from Mr. Strater, Secretary of the Federal Reserve Bank of Cleveland; the reply reading as follows:

"In accordance with the request contained in your letter of November 13, 1933, the Federal Reserve Board approves for your bank, effective November 10, 1933, a minimum authorized buying rate of one-half of one percent for purchases of bankers acceptances."

Approved.

Letter dated November 16, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated November 15,
1933, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, and November 16, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the bank's existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated November 14, 1933, from Mr. Paulger, Chief of the Division of Examinations, referring to the need for additional space in the Shoreham Building for the division, and recommending that the Board authorize him to negotiate for the rental of an additional 781 square feet of space, more or less, on the sixth floor of the Shoreham Building, on the same basis as the lease covering the space now occupied on that floor with the exception that the rental shall be at a rate not to exceed $2.50 per square foot; the recommendation having been approved by five members of the Board on November 18, 1933.

Approved.

Mr. Paulger stated that, in accordance with the authority granted by the Board, he had discussed with the owners of the Shoreham Building the question of the leasing by the Board of additional space in that building, and that Mr. Robert L. McKeever, Vice President of the Shoreham Investment Company, had advised that, in addition to the 781 feet of space under consideration, there is available on the sixth floor approximately 2,900 square feet of space which adjoins the space now under negotiation with the company, and most of which is occupied by the legal firm of Hurley, McCawley and Shinn; that the legal firm is desirous of
removing its offices to the twelfth floor of the building; that the 2,900 square feet of space, which is suited to meet the Board's needs, would be available to the Board; and that Mr. McKeever would like to receive a definite answer from the Board as to its space requirements inasmuch as a number of inquiries are being received from other parties with regard to available space in the building. Mr. Paulger also said that he had advised Mr. McKeever that he was not in a position to make a recommendation to the Board that it acquire additional space at this time as he did not know what the requirements of the Board would be, but that he had requested Mr. McKeever to hold the matter open for at least thirty days, to which Mr. McKeever had replied that he would like to have the Board reach a definite decision on the matter and that in the absence of a decision by the Board in the near future the space would be rented to other parties. Mr. Paulger added that the matter was being brought to the attention of the Board at this time in view of its increasing need for space, and in order that it may know what additional space is available in the Shoreham Building.

Mr. James stated that he felt that, in view of the growing requirements of the Board for space, it would be reasonable for the Board to negotiate a lease with the owners of the Shoreham Building for the entire space referred to even though it is not immediately required.

A discussion ensued, at the conclusion of which Mr. Morrill and Mr. Paulger were requested to consider the matter further and submit a report to the Board.

Memorandum dated November 13, 1933, from Mr. Goldenweiser.
Director of the Division of Research and Statistics, recommending the appointment of Mrs. Ruth V. Jones as a stenographer in the division, with salary at the rate of $1,560 per annum, effective December 1, 1933; the recommendation having been approved by five members of the Board on November 16, 1933.

Approved.

Memorandum dated November 17, 1933, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending the temporary appointment until December 3, 1933, of Mrs. Margaret T. Howell as draftsman in the division, with salary at the rate of $135 per month, 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 18, 1933.

Approved.

Memorandum dated November 17, 1933, from Mr. Paulger, Chief of the Division of Examinations, requesting the appointment of Miss Marion L. Goshorn as a clerk in the division, with salary at the rate of $1,440 per annum, effective as of the date upon which she enters upon the performance of her duties.

Approved.

Renewal bonds in the amounts of $25,000 and $75,000, executed on November 1, 1933, by Mr. F. H. Curtiss as Federal Reserve Agent at the Federal Reserve Bank of Boston.

Approved.

Telegram dated November 18, 1933, to Mr. Williams, Federal Reserve
Agent at Cleveland, approved by five members of the Board, replying to letters dated November 9 from Mr. Williams and November 14 from Mr. Fletcher, Assistant Federal Reserve Agent at Cleveland, requesting the appointment of Mr. Ray L. Poland as an examiner in the Federal reserve agent's department of the bank, with salary at the rate of $3,000 per annum. The reply stated that the Board approves the appointment referred to with salary at the rate stated. 

Approved.

Telegraphic reply on November 18, 1933, approved by five members of the Board, to a letter dated November 15 from Mr. Hoxton, Federal Reserve Agent at Richmond, requesting the appointment of Mr. Joseph L. Suiter as an assistant examiner in the Federal reserve agent's department of the Federal Reserve Bank of Richmond, with salary at the rate of $2,100 per annum, and stating that Mr. Suiter is indebted to certain banks in Rocky Mount, North Carolina. The reply stated that the Board approves the appointment referred to with salary at the rate stated, with the understanding that Mr. Suiter will liquidate his indebtedness to banks in Rocky Mount as promptly as possible.

Approved.

Telegram dated November 18, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by five members of the Board, replying to a letter dated November 14 from Assistant Federal Reserve Agent Young with further regard to the temporary appointment of Mr. H. C. Crays as an examiner in the Federal reserve agent's department of the Federal Reserve Bank of Chicago, with salary at the rate of $4,500 per annum, effective
September 19, 1933; the letter stating that Mr. Crays is indebted in
the amount of $5,000 to the First-Citizens Bank & Trust Company, Green-
castle, Indiana, a nonmember institution; that the indebtedness was in-
curred for the purpose of purchasing stock in the Citizens State Bank of
Williamsport, Indiana; and that Mr. Crays reports that he is negotiating
at this time for the sale of the stock, which will liquidate at least
$4,000 of the debt, and that the balance will be arranged for on a
monthly basis. The reply stated that the Board approves the temporary
appointment referred to with salary at the rate stated, with the under-
standing that Mr. Crays will liquidate his indebtedness to the Greencastle
bank as soon as feasible.

Approved.

Telegraphic reply on November 16, 1933, approved by five members
of the Board, to a letter dated November 14 from Mr. McClure, Federal
Reserve Agent at Kansas City, requesting the approval of the appointment
of Mr. J. L. McCarthy as an examiner in the Federal reserve agent's de-
partment of the Federal Reserve Bank of Kansas City, with salary at the
rate of $3,096 per annum, and stating that Mr. McCarthy is indebted in
the amount of $250 to two national banks in Kansas City, and that the in-
debtedness is being reduced by regular monthly reductions. The reply
stated that the Board approves the appointment referred to with salary at
the rate stated, with the understanding that Mr. McCarthy will continue
the systematic reduction of his indebtedness to the banks in Kansas City.

Approved.

Reply on November 17, 1933, approved by five members of the
Reference is made to your letter of October 16 in regard to
the employment of a trust examiner at each Federal reserve bank and
particularly the qualifications of such an examiner and the scope
of his duties.

Assuming that the person who may be under consideration for sele-
cction as a trust examiner is familiar with the principles of ac-
countancy and auditing, it is believed that in order to accomplish
the best results in trust examination work he should have the qual-
ifications set out in your letter. Of course, the number of men
possessing all these qualifications is somewhat limited, and in the
circumstances it might be found necessary to forego the require-
ment of broad experience gained as an executive in a trust department and
to select an individual with sound legal training and broad experi-
ence in examining trust departments, or it might be necessary to
select a man who has not had a great deal of experience in trust ex-
amination work. In such a case, however, it would be essential to
select one who not only possesses the qualifications as to legal
background and experience in operation of a trust department, but
also evidences by training, experience and otherwise an aptitude for
examination work.

The entire scope of the duties of a trust examiner, of course,
cannot be sharply defined, but it is the view of the Board that when
an examination is made of a State bank applying for membership in
the system which has a trust department, there should be an examina-
tion of that department by a qualified trust examiner, and that the
trust department of every State member bank should be examined peri-
odically. As to national banks, the responsibility of examining the
trust departments lies, of course, primarily with the Comptroller of
the Currency, but in some cases trust departments of national banks
may require special attention and it may be found mutually advan-
tageous to have your trust examiner cooperate with the national bank
examiners. In addition, there may be cases of national banks apply-
ing for permits to exercise trust powers in order that they may be
able to take over trust business previously handled by State institu-
tions, and in such instances you should arrange for examinations of
trust departments of the State institutions by your trust examiner,
unless the necessary examinations have been made by other competent
examiners whose reports are entirely satisfactory.

Aside from the question of responsibility for making examinations
in the first instance, the trust examiner should be charged with the
duty of reviewing carefully the reports of examination of both State
and national banks which have trust powers and of familiarizing him-
self with the quality of management and methods of operation of such
trust departments. He should also draft for your consideration such
reports and recommendations as should be made by you to the Federal
"Reserve Board in connection with trust matters. If, after these duties are performed efficiently, the trust examiner has any spare time, he should be able to render valuable assistance in other work of your office, particularly that relating to affiliates and the handling of applications for voting permits. On the whole, it would seem that a properly qualified trust examiner could be so useful in the Federal Reserve Agent's department in all of the more important phases of examination work that his time would be occupied fully."

Approved, together with a letter dated November 17, 1933, to all other Federal reserve agents, including a copy of the reply to Mr. Walsh's letter.

Reply on November 17, 1933, approved by five members of the Board, to a letter dated November 1 from Mr. Peyton, Federal Reserve Agent at Minneapolis; the reply reading as follows:

"Receipt is acknowledged of your letter of November 1, 1933, advising that your new trust examiner had reported for duty and was about to start work in connection with the trust departments of State member banks. You state that it is your understanding that, according to the original plan, the trust examiners for the Federal reserve banks are to cooperate with the national bank examiners in the examination of the trust departments of national banks, and that before approaching the Chief National Bank Examiner of your district to make definite plans for the coordination of the two forces in the examination of such trust departments, you would like to have definite instructions from the Board to proceed along that line.

"In this connection, the Board has written to another Federal Reserve Agent as follows:

'The entire scope of the duties of a trust examiner, of course, cannot be sharply defined, but it is the view of the Board that when an examination is made of a State bank applying for membership in the system which has a trust department, there should be an examination of that department by a qualified trust examiner, and that the trust department of every State member bank should be examined periodically. As to national banks, the responsibility of examining the trust departments lies, of course, primarily with the Comptroller of the Currency, but in some cases trust departments of national banks may require special attention and it may be found mutually advantageous to have your trust examiner cooperate with the national bank examiners. In addition, there may be cases of national banks applying for permits to exercise trust powers in order that they may be able to take over trust business previously handled by State institutions, and in such instances you should arrange for examinations of the trust departments of the State institutions by your trust examiner, unless the necessary examinations have been made by other competent examiners whose reports are entirely satisfactory.'
"The Board has noted your suggestion that it might be desirable to advise the Comptroller of the Currency as to the contemplated activities of the trust examiners for the reserve banks, and to request him to advise the Chief National Bank Examiner in your district of the proposed plans. The Comptroller of the Currency has been informed fully as to the plans for the employment of special trust examiners at each Federal Reserve Bank."

Approved.

Reply on November 17, 1933, approved by five members of the Board, to a letter dated November 9 from Mr. Case, Federal Reserve Agent at New York; the reply reading as follows:

"The Federal Reserve Board has received your letter of November 9, 1933, referring to indebtedness of officers and employees in your department, and to outside business affiliations of officers and directors of the Federal Reserve Bank of New York.

"It is noted from the report submitted by Mr. Harold F. Chapin that he is indebted in the amount of $4,800, secured by a mortgage on his home, to the Guardian National Bank of Commerce of Detroit, Michigan. Inasmuch as the national bank is in receivership, it is assumed that steps will be taken to liquidate the indebtedness or to transfer it to some other institution, and it is suggested that, if the latter course is followed, Mr. Chapin arrange if possible to have it transferred to an institution which is not a member bank or a subsidiary or affiliate thereof.

"In connection with outside business affiliations of officers and employees of your bank, the Board on June 4, 1930, interposed no objection to Mr. Gidney serving as a member of the Board of Education of Ridgewood, New Jersey. The Board's records do not indicate, however, that the service of Messrs. Gilbert and Dillistin as a member of the Planning Commission of the Village of Garden City, Long Island, and as member and treasurer of the Passaic County Mosquito Exterminator Commission, respectively, has been referred to the Federal Reserve Board for determination of the question whether the positions are political or public offices within the meaning of the Board's resolution of December 23, 1915, and it will be appreciated if you will advise the Board fully with regard to the nature of the positions in order that it may pass on the matter.

"It is also noted that Messrs. Robert R. Apgar, Chief of the Administration Department, Raymond F. Cutler, Special Representative in the Bank Relations Department, and William A. Ernst, Coin Shipping Clerk in the Cash Department, are officers or directors of building and loan associations. The Board feels that these affiliations are within the scope of its letter of April 29, 1933, and that consideration should be given by the employees involved to their termination as soon as possible, and it is requested that you advise of the action taken by them in this connection."
"Your letter further states that the employees of your bank are permitted to engage in outside business activities only with the approval of the Governor of the bank; that such applications are granted only when it is clear that the outside work will be done outside of business hours and will not prevent the employee from giving full time and attention to his work at the bank; and that consideration is given also to the character of the outside business concern and the nature of the work which the employee proposes to do, and permission is not granted if there appears to be any indication or danger that the employee's connection with your bank might be used or referred to in any way for the purpose of benefitting the outside concern. Accordingly, it appears that the outside business activities of the other employees listed in the statement inclosed with your letter do not interfere in any way with their service to your bank or involve any financial or other relations which might prove embarrassing to the Federal Reserve Bank of New York."

Approved.

Letters dated November 16, 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:

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<tr>
<th>Applicant Bank</th>
<th>Federal Reserve Bank</th>
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<tr>
<td>&quot;Bay City Bank &amp; Trust Company&quot;, Bay City, Texas.</td>
<td>Dallas</td>
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Approved.

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Applicant Bank

"The Peoples Bank & Trust Company", Coshocton, Ohio.
"The Planters Bank & Trust Company", Thomaston, Alabama.
"Harlan County Bank", Alma, Nebraska.

Federal Reserve Bank

Cleveland
Atlanta
Kansas City

Approved.

Letter to the board of directors of the "Bar Harbor Banking and Trust Company", Bar Harbor, Maine, 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 stock of the Federal Reserve Bank of Boston 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.

Approved.

Telegram to Mr. Curtiss, Federal Reserve Agent at Boston, reading as follows:

"Board hereby amends condition numbered twenty-one of its letter of November 1, 1933, to Board of Directors of Merrill Trust Company, to read as follows:  

The special Act of the Legislature under which the new bank is to be incorporated shall be in form and substance satisfactory to counsel for the Federal Reserve Bank of Boston and substantially the same as a proposed act to incorporate The Merrill Trust Company, Bangor, Maine, to which reference was made in a letter by Phillips Ketchum to the Governor of the Federal Reserve Bank of Boston under date of October 20, 1933, and there shall be furnished an opinion of the Supreme Court of the State of Maine,"
"satisfactory to such counsel, in which it is held that such act is valid and not in contravention of the Constitution of the State of Maine UNQUOTE On basis of information contained in Clark's letter dated November 18, 1933, and in inclosures therewith, it would appear that action heretofore taken for purpose of placing Merrill Securities Corporation in formal liquidation constitutes substantial compliance with the part of condition numbered twenty-five, as set forth in Board's letter of November 1, 1933, which pertains to Merrill Securities Corporation, and may be accepted as satisfying requirements in respect thereto, subject to understanding that Merrill Securities Corporation will be dissolved forthwith. In respect to Union Corporation, Board hereby waives the requirement set forth in condition numbered twenty-five that such corporation be placed formally in liquidation or receivership prior to admission of The Merrill Trust Company to membership in the System, and in lieu thereof, the Board imposes the condition that Union Corporation enter into agreement similar to that required of Maine Real Estate Title Company in Board's letter of November 9, 1933, to Board of Directors of Merrill Trust Company, in regard to liquidation of Maine Real Estate Company, and that The Merrill Trust Company undertake that the agreement by Union Corporation will be faithfully carried out and agree that, in all of its published statements of condition, it will show separately its investment in stock of its subsidiary, Union Corporation, as investment in stock of affiliated company holding other real estate."

Approved.

Letter dated November 15, 1933, to the Federal reserve agents at all Federal reserve banks, approved by five members of the Board, reading as follows:

"In reviewing applications for membership in the Federal Reserve System, it has been noted that in many instances officers and employees of the applicant bank appear to be inadequately bonded, and that in some instances certain officers and employees are not covered by any bond. The Board feels that as a matter of conservative banking practice adequate surety bonds should be carried by all banks. In certain letters to the Federal Reserve Agents advising of approval of applications for membership, therefore, the Board has called attention to the lack, or apparent inadequacy, of the bonds, and has suggested that the Federal Reserve Agents request the boards of directors of the applicant banks to give careful consideration to the advisability of having bonds in adequate amount provided for all officers and employees having access to the bank's cash, securities, or records of account. "You are requested to give careful consideration to the adequacy of the bonds carried by banks applying for membership, and to make
appropriate recommendation to the directors of an applicant bank whenever it seems necessary. In the future, therefore, no comment of this nature will be made in the letters to the Federal Reserve Agents advising of approval of applications for membership. In this connection, it is assumed that the Federal Reserve Agents will give the same consideration to the adequacy of bonds carried by banks already admitted to membership and will make similar recommendation when deemed necessary."

Approved.

Letter dated November 15, 1933, to the Federal Reserve Agents at all Federal Reserve banks, approved by five members of the Board, reading as follows:

"In reviewing applications for membership in the Federal Reserve System submitted to the Federal Reserve Board, it has been noted that in many instances the applicant bank pays interest on certain public accounts. As you know, section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933, prohibits a member bank, except as stated therein, from paying interest on deposits which are payable on demand. Accordingly, if the public accounts referred to are demand deposits and do not come within the exceptions to section 19, the payment of interest thereon by a State bank after it becomes a member of the Federal Reserve System would be unlawful.

"In certain letters to the Federal Reserve Agents advising of approval of applications for membership, the Board has called attention to this situation and has requested the Agent to bring the matter to the attention of the management of the applicant bank. You are requested to take similar action in all such cases arising in your district. In the future, therefore, no comment of this nature will be made in the letters to the Federal Reserve Agents advising of approval of applications for membership."

Approved.

Telegram dated November 15, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by five members of the Board, referring to the application of "The State Savings Bank of Warren", Warren, Michigan, for permission to withdraw immediately from membership in the Federal Reserve System. The telegram stated that the Board waives the usual requirement of six months' notice of intention to withdraw and
that, accordingly, upon surrender of the Federal reserve bank stock issued to the State Savings Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Letter dated November 16, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by five members of the Board, reading as follows:

"Receipt is acknowledged of Mr. Dillistin's letter of November 6, in which he reported that the receiver of the Broad Street National Bank, Red Bank, New Jersey, who was appointed on April 15, 1933, has not made application for cancelation of the Federal reserve bank stock issued to that bank. It is noted that the receiver has not made application because of a possible reorganization of the bank, which is under consideration.

"In these circumstances and in view of Mr. Dillistin's recommendation, the Board will not at this time require the cancelation of the Federal reserve bank stock issued to the Broad Street National Bank, Red Bank, New Jersey. However, if an application for cancelation of such stock is not received from the receiver within three months from date of this letter and the bank in the meantime has not been restored to solvency, it is requested that a further report and recommendation be submitted to the Board."

Approved.

Letter dated November 18, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of October 24 recommending approval by the Board of a reduction in the capital of "The Middletown National Bank", Middletown, Connecticut, from $369,300 to $23,100. 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 it is observed that on the basis of the last report of examination of the bank, which was made as of August 29, 1933, the corrections to be
efected under the proposed plan of rehabilitation will not be suffici-
et to eliminate all estimated losses and depreciation on securities or
provide for possible losses in doubtful assets, and that it is assumed
that the Comptroller's office will require further corrections to be made
as soon as it is feasible to do so.

Approved.

Letter dated November 16, 1933, to Mr. O'Connor, Comptroller of
the Currency, approved by five members of the Board, reading as follows:

"Receipt is acknowledged of Deputy Comptroller Gough's letter of
November 13, 1933, with reference to a change in the proposed plan
of recapitalization of 'The Jefferson County National Bank of Watertown', Watertown, New York, which was approved by the Board November 8, 1933.

"It is understood that the revised plan does not involve any
change in the amount of the reduction in common capital stock, but
contemplates an increase of $100,000 in the amount of preferred
stock to be sold, and will strengthen the institution accordingly.
It is, therefore, not necessary for the Board to pass upon the re-
vised plan, and this letter is to confirm Mr. Gough's assumption
that the Board's approval of the original plan will continue in ef-
fekt as regards the revision."

Approved.

Reply on November 16, 1933, approved by five members of the
Board, to a memorandum dated August 14 from Mr. O'Connor, Comptroller
of the Currency; the reply reading as follows:

"Reference is made to your memorandum of August 14, 1933, recom-
mending approval of a reduction in capital of 'The Colonial-American
National Bank of Roanoke', Virginia, from $1,000,000 to $500,000.

"It appears that the plan only proposes to reduce the capital and
surplus, and out of the funds released by such reduction to eliminate
certain assets, and does not propose to introduce any new funds into
the capital structure. The accomplishment of such plan does not
improve the fundamental condition of the bank, but does release
$500,000 of stockholders' liability, and since there would be left
sufficient capital and surplus to provide a satisfactory ratio to
deposits, the question involved is whether or not the condition of
"the bank is such as to warrant the release of the $500,000 stockholders' liability, a considerable portion of which appears to be collectible, as evidenced by the large estimated net worth of a number of the directors and correspondingly large ownership of stock in the bank.

"It is noted that under the plan it is proposed to eliminate approximately twice the amount of assets which were classified as doubtful and estimated losses by the National bank examiner, as shown by the report of examination of July 5, 1933, but it is also noted that there will still be several features subject to material criticism. These features include the unduly large investment in banking house, furniture and fixtures, other real estate, and State and City Investment Company bonds which represent another banking house and are regarded as potential other real estate, the aggregate of which will amount to approximately 146 per cent of the capital and surplus after the proposed reduction; and the large borrowings by the officers, directors, employees and their interests, a considerable portion of which is classified as slow, doubtful or loss. The Board is in sympathy with the desire on the part of the directors to show more accurately the value of the assets of the bank, but in view of the criticised features of the situation, the Board is not prepared to approve the proposed reduction in capital under the plan submitted."

Approved.

Letter dated November 17, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of November 7 recommending approval by the Board of a reduction of $25,000 in the common capital stock of "The First National Bank of Centralia", Centralia, Missouri. 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 17, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of November 7 recommending approval by the Board of a reduction in the common capital stock of "The Goodhue County National Bank of Red Wing", Red Wing, Minnesota, from $200,000 to $100,000. 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 16, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of October 25 recommending approval by the Board of a reduction of $25,000 in the common capital stock of "The First National Bank of Falls City", Falls City, Nebraska. 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 18, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his memorandum of October 24 recommending approval by the Board of a reduction in the common capital stock of "The First National Bank of Omaha", Omaha, Nebraska, from $1,250,000 to $250,000. 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 the Board has noted the Comptroller's comments with respect to the inadequacy of the plan of rehabilitation and that it assumes that he will require further corrections to be made in the bank's condition as soon as it is feasible to do so.

Approved.

Letter dated November 18, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, replying to his
memorandum of October 24 recommending approval by the Board of a reduction in the common capital stock of "The Farmers National Bank of Salina", Salina, Kansas, from $200,000 to $100,000. 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 17, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of November 6 recommending approval by the Board of a reduction of $25,000 in the common capital stock of "The Liberty National Bank of Weatherford", Weatherford, Oklahoma. 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 16, 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 by the Board of a reduction in the common capital stock of "The Texarkana National Bank", Texarkana, Texas, from $500,000 to $250,000. 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 17, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by four members of the Board, replying to his memorandum of November 3 recommending approval by the Board of a reduction
in the common capital stock of the "First National Trust and Savings Bank of Fullerton", Fullerton, California, from $250,000 to $125,000.
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 16, 1933, to the "United States National Corporation", Portland, Oregon, approved by five members of the Board, and reading as follows:

"The Board approves your application dated August 14, 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 the following banks:

United States National Bank of Salem, Salem, Oregon,
United States National Bank of McMinnville, McMinnville, Oregon,
The First National Bank of St. Helens, St. Helens, Oregon,

"The voting permit applied for is here inclosed, but the Board wishes to call to your attention the following facts. From the data submitted in your application the Board is not certain that you are not now violating Section 2 of an Act of Congress approved May 24, 1926, (44 Stat. 623), which provides that with certain exceptions not here applicable, no corporation 'engaged in the banking, loan, building and loan, brokerage, factorage, insurance, indemnity, or trust business', shall use the words 'United States' as a portion of its corporate name. Inasmuch as your need for the voting permit is believed to be urgent the Board will not defer the issue of the permit pending the determination of this question, but your attention is called to the statutory prohibition so that if you are engaged in business of a type specified in the statute, you will either cease to engage in such business or will alter your corporate name to eliminate the words 'United States'. A copy of this letter is being sent to the Federal Reserve Agent at San Francisco with specific reference to this paragraph."

Approved, together with a letter dated November 16, 1933, to the Federal Reserve Agent at San Francisco in accordance therewith.

Reply on November 16, 1933, approved by five members of the
Board, to a letter dated October 12 from Mr. Peyton, Federal Reserve Agent at Minneapolis; the reply reading as follows:

"Receipt is acknowledged of your letter of October 12, 1933, asking two questions with respect to the application filed by Northwest Bancorporation for a voting permit under authority of Section 5144 of the Revised Statutes, as amended. Your letter indicates that the Northwest Bancorporation considers its application dated September 21, 1933, and heretofore filed with the Board, as an application for a temporary voting permit only and that it contemplates converting this application into an application for a permanent voting permit. It appears to the Board's counsel that the application dated September 21, 1933, is an application for a permanent voting permit, although deficient in certain respects, and that the application may be considered the basis for granting a full permit, provided the applicant files with the Board the additional data required to make it complete.

"You first ask whether the applicant need furnish, as part of Exhibits L and N, agreements on the part of certain 'affiliates' which have been 'divorced' from the applicant.

"As an illustration of the divorce of an 'affiliate' you cite, in the second paragraph of your letter, the case of the Whalan State Bank, which, at the date of the application, is said to have been affiliated with the applicant by reason of the fact that a majority of its directors were members of the board of the Scanlan-Habberstad Bank and Trust Company of Lanesboro, Minnesota, a 'non-member state bank affiliated with the Northwest Bancorporation'. You state that since September 22, 1933, one of the directors referred to has resigned from the board of the Whalan State Bank and that such bank is no longer an 'affiliate' of the applicant. You do not indicate that the Scanlan-Habberstad Bank and Trust Company was a subsidiary of the applicant, but from other information in the Board's files, it appears to have occupied that status on June 30, 1933. It is assumed that it continued to occupy that status at the time of the application and that the Whalan State Bank was at that time affiliated with a subsidiary of the applicant as defined in the Board's Regulation P. If such was the case at the date of the application and if the Whalan State Bank is no longer either a subsidiary of the applicant or affiliated with the applicant or with any of its subsidiaries, it will not be necessary for the Northwest Bancorporation to submit under Exhibit L, an agreement, and under Exhibit N, a consent, executed by the Whalan State Bank, but the additional data submitted as a part of the application on file should state that the affiliation has terminated.

"It is not clear from the question submitted to you by the applicant whether it is asking to be relieved of the burden of obtaining the agreement and consent referred to, not only from an affiliated organization which since the date of the application has been 'divorced' from the applicant in the manner illustrated, but also
"In the case of an institution which is affiliated with the applicant only by what you term 'accidental affiliation'. As used the term appears to include an institution which, because of interlocking directorates or for some other reason, is 'deemed to be affiliated' with the applicant or with some subsidiary of the applicant within the meaning of Regulation P. It should be borne in mind that if such an institution is affiliated as defined in Regulation P with the applicant or any subsidiary of the applicant it must execute the agreement and consent required under Exhibits L and N even though it may be said to be affiliated by accident only or to have nothing to do with the business of the applicant or its group.

"Your second question relates to the possibility of eliminating duplication of the exhibits heretofore filed by the applicant. This would seem entirely proper since, as suggested above, the application filed is a deficient application for a permanent voting permit and since the missing data is furnished as a part of the application heretofore filed and in order to complete the same.

"It is important that none of the information submitted in connection with an application be compiled as of a date so remote from the date or dates as to which other information has been compiled that the Board does not obtain a fair picture of the situation which it is asked to consider. The statements heretofore submitted as Exhibit H of the application are compiled as of August 31, 1933. In the cases of the application of the Northwest Bancorporation, the Board is of the opinion that if the information still to be furnished by the applicant is compiled as of a date not later than October 31, 1933, it may properly be submitted as an amendment of the application already filed, thus eliminating the necessity of duplicating the exhibits furnished. If such information is compiled as of a date after October 31, 1933, it will be necessary for the applicant to submit new statements under Exhibit H or to indicate changes which have been made in the statements in Exhibit H subsequent to August 31, 1933.

"We understand that the applicant is now assembling the additional information necessary to complete its application. This should, of course, be filed with the Board as soon as possible. The Board's willingness to consider the application already filed, if and when all required data is submitted, is dependent upon the additional information being furnished so promptly that the Board may consider the application within a reasonable time after the date as to which the data originally furnished was compiled. It is not necessary now to designate the length of time which, in view of all circumstances, may then be said to be reasonable."

Approved.

Telegraphic reply on November 17, 1933, approved by five members of the Board, to a telegram dated November 14 from Mr. Newton, Federal
Reserve Agent at San Francisco; the reply reading as follows:

"Retel November 14. On facts heretofore submitted by attorneys for Atlas Corporation, Board has ruled that Atlas Corporation and Pacific Eastern Corporation are holding company affiliates of American Trust Company within statutory definition and in order that American Company may vote its stock of American Trust Company Atlas and Pacific as well as American Company must each obtain voting permit. Applicants may incorporate by reference exhibits identical with those contained in another application previously or concurrently filed."

Approved.

Reply on November 15, 1933, approved by five members of the Board, to a letter dated November 2 from Honorable Thomas Hewes, Assistant Secretary of the Treasury, referring to the Board’s letter of September 27, 1933, to the then Under Secretary of the Treasury concerning certain incomplete Federal reserve notes of the Federal Reserve Bank of Minneapolis, of the $100 denomination, which had disappeared from the Bureau of Engraving and Printing and had been honored by the Federal Reserve Banks of New York and Minneapolis; Mr. Hewes’ letter stating that the only manner in which the Bureau of Engraving and Printing could satisfy its liability for the redemption of the notes would be to place an assessment on the employees of the section from which the sheet of notes disappeared; that many of the employees can ill afford to pay such an assessment and the Treasury Department is reluctant to impose such a penalty on innocent employees; that under the circumstances referred to in the letter it would appear that the presenting Federal reserve banks might properly be held responsible for the notes; but that the Department will rely upon the Board’s judgment in the matter, and if it is still felt that the Bureau should be held responsible for the notes, the Treasury
Department will take steps to have the amount involved collected from employees in the manner outlined above, for the relief of the Federal reserve banks concerned. The reply read as follows:

"Your letter of November 2, relating to incomplete Federal Reserve notes of the Federal Reserve Bank of Minneapolis, of the $100 denomination, with counterfeit seals and serial numbers, has been carefully considered by the Board. In view of the statements contained in your letter the Board will suggest to the Federal Reserve banks that in the circumstances they absorb the loss on these notes. The Board feels, however, that any liability in connection with the circulation of incomplete notes should be assumed by the Treasury Department and hopes that the Treasury will carry out the intention expressed in Assistant Secretary Dewey's letter of July 7, 1925, of asking relief from Congress for incomplete Federal Reserve notes which get into circulation and are subsequently presented for redemption."

Approved.

Letter dated November 16, 1935, to the Federal reserve agents at all Federal reserve banks, approved by five members of the Board, including a copy of the following ruling by the Board relating to the payment of interest by member banks on deposits of postal savings funds, and requesting that each agent bring the ruling to the attention of all member banks in his district which he may have reason to believe have an interest in the matter:

"PAYMENT OF INTEREST ON DEPOSITS OF POSTAL SAVINGS FUNDS.

"The Federal Reserve Board has received a number of inquiries with respect to the question whether deposits of postal savings funds, subject to the provisions of the regulations of the Postal Savings System governing the deposit of such funds in banks, are deposits on which interest may be paid by member banks under the provisions of Section 19 of the Federal Reserve Act.

"By order of the Postmaster General, dated August 30, 1933, paragraph 1 of Section 15 of the regulations of the Postal Savings System on this subject was amended so as to read as follows:

'All funds deposited prior to July 1, 1933, in depository banks of the Postal Savings System shall be treated as time deposits,
"to remain on deposit in such banks for one calendar month from July 1, 1933. All funds deposited after July 1, 1933, in such banks shall likewise be treated as time deposits, for the period including the calendar month next following the date of deposit. At the expiration of such periods and in the event that withdrawal is not made of the deposit at the end of such calendar periods by the Board of Trustees of the Postal Savings System, then such funds shall be considered as having been redeposited for the succeeding calendar month; and likewise redeposited for each and every calendar month thereafter until withdrawal is made. All postal-savings funds held by any qualified depository bank in excess of the security value of its collateral shall be promptly disposed of in accordance with the provision of Section 17 of the Banking Regulations.'

"The Federal Reserve Board understands that, under the provisions of the regulations amended as above quoted, the withdrawal of postal savings funds from banks was authorized only on the first day of any calendar month and funds not withdrawn on such day were considered as having been redeposited for another full calendar month; and also that no such funds were authorized to be withdrawn except on the first day of any calendar month even though no interest was paid on such deposits. It is the view of the Federal Reserve Board that deposits withdrawable only under these conditions may properly be classified, during the period in which the regulations in the form as amended August 30, 1933, were in effect, as time deposits on which interest may be paid in accordance with the provisions of the Board's Regulation Q.

"It is understood that the paragraph of the regulations of the Postal Savings System above quoted was further amended by order of the Postmaster General No. 4420, under date of October 24, 1933, so as to read as follows:

'In compliance with rulings of the Federal Reserve Board concerning time deposits, and to secure uniformity of procedure among all depository banks of the Postal Savings System, the calendar year is divided into specific periods of not less than thirty days each, with the beginning and termination dates of such periods shown, as follows:

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*30 or 31 days, according to whether or not year is Leap Year.

'All funds deposited prior to July 1, 1933, in depository banks of the Postal Savings System shall be treated as time deposits,
"to remain on deposit in such banks for the specified period beginning July 1, 1933. All funds deposited after July 1, 1933, in such banks shall likewise be treated as time deposits from the date of the deposit to and including the date of termination of the specific period next following the period in which the deposit is made, unless such deposit shall have been made on the first day of a period - in other words, the initial time period for deposits made subsequent to July 1, 1933, will be the period from and including the date of the deposit to the expiration of the next succeeding specified period, unless such deposit shall have been made on the first day of a period in which case the initial time period will be the period from and including the date of the deposit to and including the date of termination of the period in which the deposit is made. At the expiration of such periods and in the event that withdrawal is not made of the deposit by the Board of Trustees of the Postal Savings System, then such funds shall be considered as having been redeposited for the succeeding specified period; and likewise redeposited for each and every specified period until withdrawal is made.

In accordance with the foregoing, postal-savings funds on deposit in qualified banks, the fixed time period having expired, may be withdrawn by the Board of Trustees of the Postal Savings System or relinquished voluntarily by depository banks only on the first day of a succeeding specified period: Provided, that all unsecured postal-savings funds held by any qualified bank to the credit of the Board of Trustees shall be subject to the provisions of Section 17 of these regulations.

"It is the view of the Federal Reserve Board, after careful consideration of the regulations of the Postal Savings System as amended on October 24, 1933, that deposits withdrawable only at the times and under the conditions stated in the regulations as thus amended may be classified as time deposits on which interest may be paid in accordance with the provisions of the Board's Regulation Q, except as noted in the last paragraph hereof.

"The Federal Reserve Board advised all Federal reserve banks in a telegram dated June 21, 1933 (Trans. No. 1828) that, since the provisions regarding payment of interest on deposits are incorporated in Section 19 of the Federal Reserve Act, definitions contained in Section II of the Board's Regulation D should be considered in determining what are time deposits pending the issuance of further regulations relating to the payment of interest on deposits and that member banks might continue to pay interest on time deposits in accordance with their usual practice or existing bona fide contracts until the Board should issue regulations on the subject; and it is to be noted that, under the provisions of Section II of Regulation D, deposits of postal savings funds in banks under the terms of the Act of June 25, 1910 as amended constitute time deposits. The Federal Reserve Board's Regulation Q relating to the payment of interest on deposits was adopted and made effective on August 29, 1933; and,
as above stated, the regulations of the Postal Savings System, governing the deposits of postal savings funds in banks, were amended by order of the Postmaster General dated August 30, 1933, so that deposits subject to the conditions thereof were time deposits. In the circumstances, the Federal Reserve Board offers no objection to the payment by member banks of interest on postal savings funds accruing during the period from June 16, 1933, until August 30, 1933; except that no member bank, which during such period may have lawfully terminated its agreement with the Postal Savings System to pay interest on deposits of postal savings funds payable on demand, may pay interest on such deposits payable on demand which accrued after the effective date of the termination of such agreement.

"It is to be observed that the regulations of the Postal Savings System, as amended on October 24, 1933, contain the provision that all unsecured postal savings funds held by any qualified bank to the credit of the Board of Trustees shall be subject to the provisions of Section 17 of the regulations, which provides that an amount in a qualified bank in excess of the maximum balance authorized for such bank shall at once be returned in accordance with the procedure prescribed therein to the Board of Trustees. A provision similar in effect was included in the regulations as amended on August 30, 1933. It would appear that an amount in excess of the maximum balance authorized for any qualified bank is not subject to the conditions with respect to withdrawal to which other deposits of postal savings funds are subject under the amended regulations. Such excess amounts, therefore, do not conform to the requirements with respect to time deposits and must be considered deposits payable on demand upon which no interest may lawfully be paid by a member bank."

Approved, together with a letter dated November 18, 1933, to Honorable C. E. Eilenberger, Third Assistant Postmaster General, approved by five members of the Board, referring to his letter of September 12, 1933, and the Board's reply of September 21 with regard to the above subject, and including for his information a copy of the Board's ruling.

Reply on November 16, 1933, approved by five members of the Board, to a letter dated October 2 from Governor Martin of the Federal Reserve Bank of St. Louis; the reply reading as follows:

"This refers to your letter of October 2, 1933, inclosing a copy of a letter from Mr. Charles R. Creel, Cashier of the First National Bank, Buffalo, Kentucky, and a copy of your reply.

"Mr. Creel calls attention to the fact that his bank is in competition with three State banks which are paying 4% interest on
time deposits and asks whether a remedy cannot be provided in view of the competitive advantage which will be given to those banks after the effective date of the provisions of the Board's Regulation Q limiting the amount of interest which member banks may pay on time deposits. Mr. Creal points out that these State banks will probably wish to qualify for Federal Deposit Insurance and asks whether the limitation on interest rates can be made applicable to them as a condition of membership in the Temporary Federal Deposit Insurance Fund.

"Of course, as you know, many restrictive provisions of the Federal statutes which were designed to prevent unsound or unwise practices by national banks and State member banks of the Federal Reserve System have been objected to on the ground that they placed those banks at a competitive disadvantage with nonmember State banks. "In the present instance, however, it would appear that the provisions of the 'Code of Fair Competition for Bankers', approved October 3, 1933, will remedy the condition to which Mr. Creal refers. Paragraph (2) of Article VIII of that Code (published in the Federal Reserve Bulletin for October, 1933, beginning with page 510) provides:

'(2) Interest.-- Subject to the rules and regulations of the Federal Reserve Board with respect to maximum rates of interest to be paid on time and savings deposits and the method of calculation thereof, as prescribed in the Banking Act of 1933, all banks within groups or districts hereinbefore referred to (except investment banking houses accepting deposits, which houses are subject to the Code of Fair Competition for Investment Bankers) shall maintain the same maximum rates of interest and the same method of calculation thereof upon deposits of like character, but this shall not be construed to require any bank to pay such maximum rates if it does not so desire. The Banking Act of 1933 (sec. 11-B) provides that no bank which is a member of the Federal Reserve System may pay interest on demand deposits; the rules and regulations provided by clearing-house associations or other groups shall contain a stipulation that no interest is to be paid by any bank (except investment banking houses accepting deposits, which houses are subject to the Code of Fair Competition for Investment Bankers) within such group, whether member or nonmember of the Federal Reserve System, on demand deposits, provided that nothing in these rules and regulations shall be in contravention of the permissive provisions of section 11-B of the Banking Act of 1933.'

"The Board is not in a position to advise you as to the policy which the Federal Deposit Insurance Corporation will adopt with respect to the payment of interest on deposits by its member banks, but the portion of Mr. Creal's letter which relates to this matter has been referred to that Corporation."

Approved, together with a letter dated November 16, 1933, also approved by five members of the Board, to the Federal Deposit Insurance Corporation in accordance with the letter to Governor Martin.
Reply on November 16, 1933, approved by five members of the Board, to a letter dated September 22 from Mr. J. P. Willis, President of The First National Bank, Guntersville, Alabama; the reply reading as follows:

"Reference is made to your letter of September 22, 1933, in which you request that the maximum rate of interest which may be paid by a member bank on time deposits under the provisions of the Federal Reserve Board's Regulation Q be not made effective as to your bank until January 1, 1934.

Under the provisions of Section 19 of the Federal Reserve Act as amended by the Banking Act of 1933, the Federal Reserve Board is specifically required to limit by regulation the rate of interest which may be paid by member banks on time deposits. The Federal Reserve Board, pursuant to this provision of law, gave very careful consideration to the question what maximum rate of interest on time deposits should be fixed and when such maximum rate of interest should become effective. Its Regulation Q was approved on August 29, 1933, and fixed a maximum rate of interest of 3 percent per annum compounded semi-annually on time deposits to become effective on November 1, 1933. Member banks were thus given ample opportunity to adjust relationships with their customers with respect to the rate of interest which would lawfully be payable by them on time deposits after October 31. It would not be possible for the Board to make an exception to the provisions of the regulation in favor of individual member banks and the Board regrets, therefore, it is unable to comply with your request in this matter."

Approved.

Letter dated November 17, 1933, to Governor Geery of the Federal Reserve Bank of Minneapolis, approved by five members of the Board, reading as follows:

"Reference is made to Mr. Dunlop's letter of October 17, 1933, addressed to the Chief of the Board's Division of Bank Operations, raising the question whether deposits of receivers of insolvent national banks and deposits of conservators of national banks may be regarded by a member bank in which such funds are deposited as demand deposits 'due to banks' within the meaning of Section III(b) of the Board's Regulation D.

The Board has taken the position that a Federal reserve bank has no authority to receive deposits from a receiver of a national bank, on the ground that Section 6 of the Federal Reserve Act requires a member bank, upon the appointment of a receiver, to surrender stock
"held by it in a Federal reserve bank and that, therefore, a national bank for which a receiver has been appointed can no longer be considered a member bank within the meaning of Section 13 of the Federal Reserve Act, which authorizes a Federal reserve bank to receive deposits from its member banks. If, upon its insolvency, a national bank can no longer be regarded as a member bank, it may be argued that it cannot be considered a bank for any other purpose. Furthermore, the receiver of an insolvent national bank holds legal title to the assets of the bank as trustee for the benefit of the bank's creditors. Accordingly, upon his appointment, the bank may be said to cease to exist as a going banking organization, and to exist only for the purpose of winding up its affairs.

On the other hand, a national bank in the hands of a conservator may continue to perform characteristic banking functions. Under Section 206 of the Bank Conservation Act of March 9, 1933, as amended, the conservator may, under the direction of the Comptroller of the Currency, receive deposits and allow withdrawal of deposits on a limited basis. Moreover, that act authorizes the Comptroller of the Currency, in his discretion, to terminate the conservatorship and permit the bank to resume the transaction of its business under the management of its own officers. It is clear, therefore, that the appointment of a conservator contemplates not the cessation of banking activities, but the conservation and protection of the bank's assets, temporarily.

"For the reasons above indicated, the Board is of the opinion that, while deposits made by a conservator of a national bank may properly be considered deposits 'due to banks' within the meaning of Regulation D, deposits made by a receiver of an insolvent national bank may not be so regarded."

Approved.

Letter to the Federal reserve agents at all Federal reserve banks reading as follows:

"Reference is made to the Board's letter of October 26, 1933 (L-7655), inclosing mimeographed copies of the Board's Regulation L and the Board's Forms 94, 94a, and 94b, pertaining to the provisions of Sections 8 and 8A of the Clayton Antitrust Act, as amended. No revision of the Board's Forms 94d and 94e was made at that time since it seemed that those forms would be so little used as to make such revision unnecessary. However, the old forms do not call for all the information which is now required in view of the enactment of Section 8A and the revision of the Board's Regulation L; and, since it now appears that Forms 94d and 94e may be used in more than a few instances, there are inclosed six mimeographed copies of the Board's revised Forms 94d and 94e, which have been approved by the Federal Reserve Board."
"It is requested that you have these forms printed in the same manner as Forms 94, 94a, and 94b, referred to in the Board's letter of October 26, 1933."

Approved.

Reply on November 16, 1933, approved by five members of the Board, to a telegram dated November 1 from Mr. Stevens, Federal Reserve Agent at Chicago; the reply reading as follows:

"Reference is made to your telegram of November 1, 1933, regarding the applicability of Section 8A of the Clayton Antitrust Act to a director of a national bank serving as an officer or director of a corporation which is not a bank, banking association, or trust company and which occasionally makes loans secured by its own stock or which occasionally makes loans secured by stock or bond collateral through the call loan market or otherwise.

"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 secured by its own stock; and, for the same reason, the section is applicable to a corporation making loans through the call loan market or otherwise on stock or bond collateral.

"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.

"Reference has been made to the possible broad effect of a statute forbidding the directors of a national bank to serve as directors of other corporations making such loans, but as you are 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, and, in this connection, your attention is directed to paragraph (3) of Section IV(b) of the Board's Regulation L dealing with interlocking directorates and other relationships under the Clayton Antitrust Act. 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 after the effective date of the section; and, therefore, the prohibitions of Section 8A are inapplicable to a director of a national bank who shall serve as a director, officer or employee of a corporation, or as a member of a partnership, which in the past has made loans secured by stock or bond collateral, if such corporation or partnership shall make no loans of that character after January 1, 1934."

Approved.

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

**Applications for ORIGINAL Stock:**

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>First National Bank of Fort Fairfield, Fort Fairfield, Maine</td>
<td>36 36</td>
</tr>
<tr>
<td>7</td>
<td>Central National Bank at Battle Creek, Michigan</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>The National Bank of Edgerton, Edgerton, Wisconsin</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>National Bank of Savanna, Savanna, Illinois</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>The National Bank of Washington, Washington, Iowa</td>
<td>36 708</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>744</td>
</tr>
</tbody>
</table>

**Applications for ADDITIONAL Stock:**

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Dominion National Bank, Bristol, Virginia</td>
<td>150 150</td>
</tr>
<tr>
<td>9</td>
<td>Superior National Bank, Hancock, Michigan</td>
<td>30 84 114</td>
</tr>
<tr>
<td></td>
<td>First National Bank, Rhinelander, Wisconsin</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>264</td>
</tr>
</tbody>
</table>

**Applications for SURRENDER of Stock:**

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>National Central Bank, Cherry Valley, N. Y.</td>
<td>36</td>
</tr>
</tbody>
</table>
Applications for SURRENDER of Stock: (Continued)  Shares

<table>
<thead>
<tr>
<th>District No. 2.  (Continued)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gavitt National Bank, Lyons, New York</td>
</tr>
<tr>
<td>(Voluntary liquidation, absorbed by Lyons National Bank)</td>
</tr>
<tr>
<td>District No. 3.</td>
</tr>
<tr>
<td>First National Bank, Port Norris, New Jersey (Insolvent)</td>
</tr>
<tr>
<td>First National Bank, Somers Point, New Jersey (Insolvent)</td>
</tr>
<tr>
<td>District No. 4.</td>
</tr>
<tr>
<td>Hamilton County National Bank, Cleves, Ohio (Insolvent)</td>
</tr>
<tr>
<td>First National Bank, Cherry Tree, Pennsylvania (Insolvent)</td>
</tr>
<tr>
<td>District No. 5.</td>
</tr>
<tr>
<td>First National Bank, Grantsville, Maryland (Insolvent)</td>
</tr>
<tr>
<td>District No. 7.</td>
</tr>
<tr>
<td>First National Bank in Braidwood, Illinois (Insolvent)</td>
</tr>
<tr>
<td>Farmers National Bank, Cambridge, Illinois (Insolvent)</td>
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<tr>
<td>First National Bank, Compton, Illinois (Insolvent)</td>
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<tr>
<td>Farmers National Bank, Viola, Illinois (Insolvent)</td>
</tr>
<tr>
<td>Old-First National Bank and Trust Company, Fort Wayne, Indiana (Insolvent)</td>
</tr>
<tr>
<td>Farmers &amp; First National Bank, New Castle, Indiana (Being liquidated through conservator)</td>
</tr>
<tr>
<td>First National Bank of Marshall Co., Plymouth, Indiana (Insolvent)</td>
</tr>
<tr>
<td>First National Bank, Hawkeye, Iowa (Insolvent)</td>
</tr>
<tr>
<td>Farmers National Bank, Kingsley, Iowa (Insolvent)</td>
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<td></td>
</tr>
</tbody>
</table>

Approved.
Thereupon the meeting adjourned.

[Signature]

Secretary.

Approved:

[Signature]

Governor.