

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, November 29, 1933, at 10:45 a. m.

PRESENT: Mr. Szymczak, Chairman of Executive Committee  
Mr. Hamlin  
Mr. James  
Mr. Thomas

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

Mr. Morrill referred to the Board's letter of November 24, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, with regard to the proposed merger of the "Dollar Savings and Trust Company" of Wheeling, West Virginia, a nonmember, with the "Wheeling Bank and Trust Company" of that city, a member, under the charter of the latter institution, and to the condition imposed by the Board, in connection with its consent to the transaction, that the member bank shall not acquire from the Dollar Savings and Trust Company, as a result of the merger, any corporate stocks other than those which might lawfully be purchased by a national bank under the provisions of the National Bank Act.

Mr. Morrill advised that Mr. Williams, in a telephone conversation yesterday with regard to this matter, stated that he would like to see the proposed merger consummated as soon as possible as a relief to the serious banking situation in Wheeling; that the persons connected with the two institutions are not in position financially at this time to eliminate all the stocks held by the Dollar Savings and Trust Company which have an estimated

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value of approximately \$600,000; that he had supposed, prior to the receipt of the Board's letter, that the acquisition by the member bank, through the merger, of the stocks in question would not be a purchase within the meaning of the provisions of the statutes prohibiting the purchase of stocks of corporations by member banks; that he would appreciate it very much if the Board would reconsider the matter with the view to ascertaining whether it is possible to modify the condition imposed; and that he felt that, if the Board could give the member bank a year in which to dispose of the stocks which would be acquired, the bank could proceed on that basis.

Mr. Wyatt stated that, on the basis of the facts presented, he believed there was no escape from the view that the acquisition of stock of corporations in the manner proposed would constitute a purchase within the provisions of the law above referred to.

After discussion, the matter was referred to counsel for further consideration and report at a meeting to be held on Monday, December 4, 1933.

The Committee then considered and acted upon the following matters:

Reply on November 28, 1933, approved by five members of the Board, to a letter dated November 23 from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia; the reply reading as follows:

"In accordance with the action taken by the executive committee of your bank, advice of which was contained in your letter of November 23, 1933, the Federal Reserve Board approves a minimum authorized buying rate of 1/2 of 1% for purchases of bankers' acceptances by your bank. It is understood from your telephone conversation with this office on November 27 that the action of your executive committee was taken at its meeting on November 22, 1933, and the Board approves the rate of 1/2 of 1% effective as of that date."

Approved.

Letter dated November 28, 1933, to the board of directors of "The Mount Vernon Trust Company", Mount Vernon, New York, approved by three members of the Board, stating that, subject to the conditions set forth in the

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letter, the Board approves the institution's application for membership in the Federal Reserve System and for stock of the Federal Reserve Bank of New York, effective if and when such institution is authorized to reopen on an unrestricted basis by the Superintendent of Banks of the State of New York.

Approved.

Letters dated November 28, 1933, approved by five 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:

<u>Applicant Bank</u>	<u>Federal Reserve Bank</u>
"The State Bank of Ellenburg", Ellenburg Depot, New York.	New York
"Jerauld County Bank", Wessington Springs, South Dakota.	Minneapolis

Approved.

Letter dated November 28, 1933, to the board of directors of the "Union Trust Company of Maryland", Baltimore, Maryland, approved by five members of the Board, reading as follows:

"This refers to the Federal Reserve Board's letter of November 20, 1933, advising of the approval of the application of the Union Trust Company of Maryland, Baltimore, Maryland, for stock in the Federal Reserve Bank of Richmond subject to the following condition among others:

- '36. Prior to admission to membership, not less than 97% of the stock of such bank shall have been exchanged for stock in the City Certificates Corporation and transferred to that corporation.'

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"The Board is now in receipt of advice from Mr. J. Harry Covington that while the holders of approximately 97% of the stock of the Union Trust Company of Maryland have consented to the re-organization plan of the trust company that proportion of the stock can not be exchanged for stock of the City Certificates Corporation, since a large number of shares are required to be held by the directors, as qualifying shares, under the laws of Maryland and the charter of the trust company. Mr. Covington has advised that 93% of the stock of the trust company can be so exchanged, and after consideration of this matter the Federal Reserve Board has revised the condition numbered 36 contained in its letter of November 20, 1933, and quoted above, to read as follows:

'36. Prior to admission to membership, not less than 93% of the stock of such bank shall have been exchanged for stock in the City Certificates Corporation and transferred to that corporation.'

"Acceptance of condition number 36 as revised should, of course, be accomplished by the Union Trust Company of Maryland in the manner prescribed in the Board's letter of November 20, 1933 for the acceptance of the conditions of membership."

Approved.

Letter dated November 28, 1933, to the "City Certificates Corporation", Baltimore, Maryland, approved by five members of the Board, reading as follows:

"This refers to the Federal Reserve Board's letter of November 20, 1933, advising of the approval of the application of the City Certificates Corporation for a permit to vote stock of the Union Trust Company of Maryland, owned or controlled by the City Certificates Corporation, subject to the following condition in addition to certain other requirements:

'1. Prior to the issue of the voting permit, not less than 97% 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.'

"The Board is now in receipt of advice from Mr. J. Harry Covington that while the holders of approximately 97 per cent of the stock of the Union Trust Company of Maryland have consented to the reorganization plan of the trust company that proportion of the stock cannot be exchanged for stock of the City Certificates Corporation, since a large number of shares are required to be held by the directors, as qualifying shares, under the laws of Maryland and the charter of the trust company. Mr. Covington has advised that 93 per cent of the stock of the trust company can be so exchanged, and after consideration of this matter the Federal Reserve Board has revised the

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"condition numbered 1 contained in its letter of November 20, 1933, and quoted above, to read as follows:

- '1. Prior to the issue of the voting permit, not less than 93 per cent 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.'

Approved.

Letter dated November 28, 1933, to Mr. Stevens, Federal Reserve Agent at Chicago, approved by five members of the Board, reading as follows:

"Receipt is acknowledged of Mr. Young's letter of November 20, 1933, inclosing a letter from the cashier of The Home State Bank, South Milwaukee, Wisconsin, together with copy of a memorandum prepared by one of your examiners with respect to a possible violation by The Home State Bank of condition numbered nineteen under which that bank was admitted to membership in the Federal Reserve System.

"From the information submitted, it appears the subject institution is not engaging, either directly or indirectly, in the business of selling insurance in violation of the membership condition referred to and that any profits derived from this activity accrue to the cashier acting in an individual capacity. In view of such information, the Board will not consider this insurance business, as conducted a violation of the conditions of membership."

Approved.

Reply on November 28, 1933, approved by five members of the Board, to a letter dated October 4 from Mr. Newton, Federal Reserve Agent at San Francisco; the reply reading as follows:

"This refers to your letter of October 4, 1933, inclosing the application of the 'First Security Corporation of Ogden', Ogden, Utah, for permission to merge 'First Security Bank of Boise', Idaho, and 'First Security Bank of Pocatello', Idaho, state member banks, into 'Anderson Bros. Bank', Idaho Falls, Idaho, also a state member bank, under the charter of the last named bank; to change the corporate name to First Security Bank of Idaho and the principal place of business from Idaho Falls, Idaho, to Boise, Idaho; to convert the institutions at Pocatello and Idaho Falls into branches and to absorb thirteen non-member banks by the purchase of acceptable assets and the assumption of liabilities and to establish branches at their respective locations, all in the State of Idaho.

"Your letter states that the Executive Committee of the Federal Reserve Bank of San Francisco recommends the approval of the application as filed upon certain conditions set forth in the letter and

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"that you concur in such recommendation. The Board will interpose no objection to the proposed merger of the member banks or to the establishment of the fifteen branches of the institution resulting from such merger, 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 \$7,864.36; 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 \$364,588.30, 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.

"The matter of the establishment of the fifteen branches in the State of Idaho has been submitted to the Comptroller of the Currency for his approval and there is inclosed herewith for your information a copy of the Comptroller's letter of November 15, 1933, approving the establishment of such branches subject to the same conditions which are contained in this letter.

"You are requested to advise the applicant, the First Security Corporation of Ogden, Ogden, Utah, accordingly."

Approved.

Letter dated November 28, 1933, to Mr. O'Connor, Comptroller of the

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Currency, approved by five members of the Board, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'Webster and Atlas National Bank of Boston', Boston, Massachusetts, from \$1,000,000 to \$500,000, in accordance with a plan of rehabilitation which provides that the bank's capital shall be increased by the sale at par of \$500,000 par value preferred stock to present stockholders and others, the purchase of such preferred stock to be financed in whole or in part by means of loans from the Reconstruction Finance Corporation secured by such stock, and that \$300,000 of the funds released by the reduction in common capital stock shall be used to eliminate, if the bank has not already done so, an equal amount of estimated losses and depreciation in securities, and that \$200,000 of such released capital funds shall be used to establish a reserve for depreciation and losses, all as set forth in your memorandum dated November 10, 1933.

"With regard to the question whether the bank's Articles of Association should authorize a maximum dividend rate of 5% on its common stock, instead of 3%, it would seem that this is a matter to be determined by your office upon consultation with the Reconstruction Finance Corporation, and the Board therefore will express no opinion upon the matter.

"Although the Board approves the plan of rehabilitation as submitted by your office, it would seem preferable for the bank to charge off at least the amount of depreciation in its securities of the lower grades rather than to have any part of such depreciation offset by an unallocated reserve, and this suggestion is made for your consideration in view of the fact that ample funds appear to be available for that purpose through the capital reduction."

Approved.

Letter dated November 28, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of the 'Aquidneck National Exchange Bank and Savings Company of Newport', Newport, Rhode Island, from \$300,000 to \$150,000, pursuant to a plan of rehabilitation which provides that the bank's capital shall be increased by the sale at par of \$200,000 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock, together with funds available in the bank's surplus and undivided profits accounts, shall be used to eliminate, if the bank has not already done so, estimated losses and depreciation in securities of the lower grades aggregating approximately \$395,000, all as set forth in your memorandum of November 14, 1933."

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Approved.

Reply on November 28, 1933, approved by five members of the Board, to a letter dated November 16 from Mr. Newton, Federal Reserve Agent at Atlanta; the reply reading as follows:

"Receipt is acknowledged of your letter dated November 16, 1933, advising of the proposed reduction in the common capital stock of the 'Bank of Eastman', Eastman, Georgia, from \$60,000 to \$50,000 and the sale of \$25,000 of capital notes to the Reconstruction Finance Corporation, and recommending that such reduction in the common capital stock and the sale of capital notes be approved.

"Since it appears from the information submitted that the entire amount of the funds made available by the reduction in common capital is to be used to eliminate objectionable assets from the bank, and since the Board's consent to the reduction in capital is not required by law, or the conditions of membership applicable to the bank, the Board offers no objection to the reduction in capital in the amount indicated, or to the issuance of capital notes, with the understanding, of course, that your counsel has considered the case and is satisfied as to its legal aspects, that such reduction in the common capital stock and the sale of capital notes will not result in any change in the corporate existence of the bank which will affect its membership in the Federal Reserve System, and that the transaction has the approval of the Superintendent of Banks for the State of Georgia."

Approved.

Letter dated November 28, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, reading as follows:

"In accordance with the recommendation of Acting Comptroller Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Holyoke', Holyoke, Colorado, from \$50,000 to \$25,000, pursuant to a plan of rehabilitation which provides that the bank's capital shall be increased by the sale at par of \$25,000 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock shall be used to eliminate sub-standard assets in the amount of \$25,000, all as set forth in Mr. Awalt's memorandum of November 21, 1933."

Approved.



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Letter dated November 28, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, reading as follows:

"In accordance with the recommendation of Acting Comptroller Awalt, the Federal Reserve Board approves a reduction in the common capital stock of the 'First City National Bank of Floresville', Floresville, Texas, from \$100,000 to \$50,000, pursuant to a plan of rehabilitation which provides that the bank's capital shall be increased by the sale at par of \$50,000 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock shall be used to eliminate substandard assets in the amount of approximately \$43,450, establishing a surplus fund in the amount of \$5,000 and in increasing the undivided profits account approximately \$1,549, all as set forth in Mr. Awalt's memorandum of November 17, 1933."

Approved.

Letter dated November 28, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, reading as follows:

"In accordance with the recommendation of Acting Comptroller Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Garden Grove', Garden Grove, California, from \$50,000 to \$25,000, pursuant to a plan of rehabilitation which provides that the bank's capital shall be increased by the sale at par of \$25,000 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock shall be used in eliminating substandard assets and depreciation in the amount of approximately \$25,155, all as set forth in Mr. Awalt's memorandum of November 20, 1933."

Approved.

Letter dated November 28, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by five members of the Board, reading as follows:

"In accordance with the recommendation of Acting Comptroller Awalt, the Federal Reserve Board approves a reduction in the common capital stock of 'The Commercial National Bank of Santa Ana', Santa Ana, California, from \$200,000 to \$100,000, pursuant to a plan of rehabilitation which provides that the bank's capital shall be increased by the sale at par of \$100,000 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock shall be used to eliminate substandard assets in the amount of approximately \$99,553, all as set forth in the memorandum of Acting Comptroller Awalt of

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"November 20, 1933."

Approved.

Reply to a letter dated November 24, 1933, from Mr. Z. G. Fenner, Acting Assistant Federal Reserve Agent at Philadelphia; the reply reading as follows:

"In accordance with the recommendation made in your letter of November 24 the Pennsylvania Company for Insurances on Lives, etc., Philadelphia, and the Camden Safe Deposit and Trust Company, Camden, are hereby granted an extension of time to November 29 within which to submit the report of their deposits on Schedule Q."

Approved.

Reply to a letter dated November 24, 1933, from Mr. Fletcher, Assistant Federal Reserve Agent at Cleveland; the reply reading as follows:

"In compliance with the request conveyed in your letter of November 24 the Commonwealth Trust Company, Pittsburgh, Pennsylvania, is hereby granted an extension of time to December 6 within which to report its deposits on Schedule Q."

Approved.

Memorandum dated November 28, 1933, from Mr. Smead, Chief of the Division of Bank Operations, stating that it is understood that the Federal Deposit Insurance Corporation will ask member banks to pay in to the Temporary Federal Deposit Insurance Fund as soon as practicable after December 15, 1933, one-half of the first assessment, based on their deposits as of that date, in order that a certificate of membership in the insurance fund may be issued as of January 1, 1934; that it is expected, therefore, that all or nearly all of the banks will pay in such assessment prior to the date of the next call which will be made as of some date not later than Saturday, December 30; that inasmuch, however, as some of the banks may not have paid in their assessment it is understood that it is the intention of the Comptroller's

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office not to have such payments as shall have been made shown separately on the face of the call report but to have them included in "Other assets" and to have such payments shown separately in a schedule, which is not made public, in the inside of the report; and that it is recommended that State bank members be instructed to include, at the time of the next call report, such payments as shall have been made by them to the Temporary Federal Deposit Insurance Fund among "Other assets" on the face of the report and to show them separately under a proper designation in the appropriate schedule on the inside of the report. The memorandum also stated that no other changes are recommended in the form of the call report or in any of the accompanying schedules.

Approved.

Reply on November 28, 1933, approved by five members of the Board, to a letter dated November 24 from Mr. Ronald Ransom, Chairman of The Banking Code Committee of the American Bankers Association, Atlanta, Georgia; the reply reading as follows:

"The Federal Reserve Board has given consideration to your letter of November 24, 1933, in which you inquire whether or not the practice therein outlined would be considered contrary to that portion of Section 19 of the Federal Reserve Act, as amended, which provides that, 'No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable on demand.'

"It appears that Article VIII, Paragraph (3) of the Bankers Code of Fair Competition, as approved by the President on October 3, 1933, requires every clearing house, county association, county group, or State bank association to adopt rules fixing uniform service charges to be charged by banks whereby services rendered by banks shall be compensated for either by adequate balances carried or by a scale of charges.

"It also appears from your letter that, in order to determine whether the balance carried in an account is sufficient to compensate the bank fairly for services rendered, it is necessary to

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"analyze the account; that this requires the establishment of uniform rules which must give consideration to the value of the account and proper service charges against the account; and that these charges are of two classes: first, general overhead expenses of the bank, and second, out of pocket expenses, such as exchange, collection and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers.

"It further appears that, under the Code, it is the duty of the Banking Code Committee to consider the rules which are being submitted for approval by clearing houses and other banking groups provided for in the Code and that, before passing upon these rules, your Committee desires to know whether it would be contrary to that provision of the Federal Reserve Act referred to above for member banks to take into consideration 'the reasonable value of their customers' deposit balances in analyzing accounts in accordance with a uniform plan to be approved by the Banking Code Committee for the purpose of determining whether service charges should be assessed against their customers and, if so, the amount to be assessed: Provided, That (1) the value of each account to the bank is computed in accordance with a uniform plan approved by the Banking Code Committee and (2) the banks require actual reimbursement (without deduction of interest or of the estimated value of the customers' balance to the banks) for exchange charges, collection charges, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers.'

"After careful consideration, the Federal Reserve Board is of the opinion that a practice such as that outlined in your letter would not be contrary to that provision of Section 19 of the Federal Reserve Act which is quoted above.

"In reaching this conclusion the Board has taken particularly into account the fact that it is proposed, in proviso No. 2, among other things, that the banks will require actual reimbursement for exchange and collection charges, without the deduction of interest or of the estimated value of the customers' balances to the banks. Such a practice would eliminate any question of illegality which might be occasioned by the absorption by a bank of exchange or collection charges in an amount bearing a substantially direct relationship to the amount of the balance."

Approved.

Letter dated November 28, 1933, approved by four members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of the application as follows:

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Mr. George B. Morley, for permission to serve at the same time as director and officer of the Second National Bank and Trust Company of Saginaw, Saginaw, Michigan, and as director of the Detroit branch, Federal Reserve Bank of Chicago, Detroit, Michigan.

Approved.

Letters to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Oscar Wells, for permission to serve at the same time as director and officer of The First National Bank of Birmingham, Birmingham, Alabama, and as director of the Birmingham branch, Federal Reserve Bank of Atlanta, Birmingham, Alabama.

Mr. Edward R. Estberg, for permission to serve at the same time as director and officer of the Waukesha National Bank, Waukesha, Wisconsin, and as director of the Federal Reserve Bank of Chicago, Chicago, Illinois.

Approved.

Thereupon the meeting adjourned.

Peter Morley  
Secretary.

Approved:

M. J. Sperry  
Chairman, Executive Committee.