

A meeting of the Federal Reserve Board was held in Washington on Thursday, December 21, 1933, at 2:30 p. m.

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

Mr. Morrill, Secretary
 Mr. Carpenter, Assistant Secretary
 Mr. Bethea, Assistant Secretary

The Board considered and acted upon the following matters:

Telegram dated December 20, 1933, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and December 21, 1933, from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, both advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply to a letter dated December 16, 1933, from Mr. Austin, Federal Reserve Agent at Philadelphia; the reply reading as follows:

"Your letter December 16. Board approves appointment Robert A. Wilson as Examiner in Federal Reserve Agent's department your bank at salary rate of \$4,512 per annum effective upon assuming duties. Please advise effective date."

Approved.

Letters to the boards of directors of the following 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 appropriate amount of stock

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in the Federal reserve bank of the district in which the applicant is located:

<u>Applicant Bank</u>	<u>Federal Reserve Bank</u>
"Seaside Bank", Westhampton Beach, New York.	New York
"The Iron and Glass Dollar Savings Bank of Birmingham", Pittsburgh, Pennsylvania.	Cleveland
"The Angleton State Bank", Angleton, Texas.	Dallas

Approved.

Letter to the organizers of the proposed "United Bank of Farmington", Farmington, Missouri, stating that, subject to the conditions prescribed in the letter, the Board approves the application made in behalf of the bank for membership in the Federal Reserve System and for stock in the Federal Reserve Bank of St. Louis, effective if and when such bank receives its charter and is authorized to commence business by the Commissioner of Finance of the State of Missouri.

Approved.

Reply to a letter dated December 5, 1933, from Mr. Newton, Federal Reserve Agent at Atlanta; the reply reading as follows:

"Reference is made to your letter of December 5, 1933, recommending approval of an application of the 'Bank of Canton,' Canton, Georgia, for an extension of time from January 1, 1934 to October 1, 1934 within which to dispose of its holdings of stock of the Canton Cotton Mill carried in its investment account at \$18,000. While the Board feels that corporate stock does not constitute a desirable investment for funds of a depository banking institution and should be disposed of as soon as feasible, in view of the circumstances outlined in your letter of December 5, 1933 and in view of the extension to October 1, 1934, granted by the Superintendent of Banks of the State of Georgia, the Board extends to October 1, 1934 the period in which the Bank of Canton may, as required by one of its conditions of membership, dispose of its holdings of stock

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"of the Canton Cotton Mill. It is requested, therefore, that you advise the bank of the Board's action in the matter."

Approved.

Telegram to Mr. Wood, Federal Reserve Agent at St. Louis, with regard to compliance by the Bankers Commercial Trust Company, Little Rock, Arkansas, with the condition prescribed by the Board at the time of the institution's admission to membership in the Federal Reserve System which provided that prior to December 15, 1933, all of the capital stock of the bank should be sold to individual private investors.

The telegram read as follows:

"Re matter of sale of common capital stock of the 'Bankers Commercial Trust Company', Little Rock, Arkansas, the Board, in view of your telegraphic advice of December 16, 1933, that all of such stock has been sold to depositors or others, and in accordance with your telegraphic recommendation of December 13, 1933, will not require issuance of stock certificates evidencing ownership of such stock prior to nationalization, provided the matter is consummated within sixty days, and you are requested to advise the bank accordingly."

Approved.

Telegraphic reply to a telegram dated December 18, 1933, from Mr. Peyton, Federal Reserve Agent at Minneapolis; the reply reading as follows:

"Refer your wire December 18, 1933 re application First State Bank of Rushmore, Rushmore, Minnesota, Board grants extension of time to January 15, 1934 within which bank may comply with conditions of membership."

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation the Federal Reserve Board approves a reduction in the common capital stock of 'The

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"Second National Bank of New Haven', New Haven, Connecticut, from \$750,000 to \$375,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of \$375,000 new common stock to the present shareholders or others and that the funds released by the reduction in the common capital stock shall be used to eliminate substandard assets or to increase the bank's surplus, undivided profits or reserve for depreciation and losses, all as set forth in your memorandum of December 15, 1933."

Approved.

Letter to the Federal reserve agents at all Federal reserve banks setting forth the procedure to be followed in connection with the issuance by the Board of limited voting permits to holding company affiliates in order to enable them to vote the stock which they own or control in subsidiary member banks at the annual meetings of the stockholders of such banks which ordinarily take place in January.

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at Atlanta, reading as follows:

"In re application for voting permit The Atlantic Trust Company, Jacksonville, Florida. Please confirm Board's understanding that you and Executive Committee recommend approval of this application. Further because trustees hold stock of applicant in trust for shareholders of The Atlantic National Bank (hereafter called bank) under trust agreement dated December 22, 1923 which provides among other things that successors to original trustees, who were directors and/or officers of bank, must be approved by board of directors of bank, it appears that bank indirectly controls the election of a majority of directors of member banks listed on Exhibit A of this application and is therefore a holding company affiliate of such banks. In previous case Board has ruled that where one corporation controls majority of stock of member bank directly and another corporation controls such stock indirectly both are holding company affiliates and each must apply for and obtain voting permit in order that stock may validly be voted. Board's practice under this ruling prevents issuance of voting permit requested in application of The Atlantic Trust Company until application has been filed by bank and approved by Board. This true even though bank is not registered owner and will not itself vote stock of the banks listed in Exhibit A.

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"In filing application, bank at this time need furnish only application on Form P-1, accompanied by Exhibit A, Exhibit C, statement of financial condition of applicant as of date of application without supporting data ordinarily called for with Exhibit D, Exhibit G, Exhibits L and N inasmuch as agreements and consents already on file will be effective only during life of any permit granted to The Atlantic Trust Company, and Exhibits P and Q if applicable. Application should also incorporate by reference information contained in application of The Atlantic Trust Company. Your recommendation and that of Executive Committee should be forwarded to Board with two copies of foregoing."

Approved.

Telegram to Mr. Wood, Federal Reserve Agent at St. Louis, reading as follows:

"Re application First National Trustees, Louisville, Kentucky, for voting permit. Because terms of trust agreement dated July 1, 1925, under which applicant trustees hold stock of certain member banks, provide among other things for advisory committee, composed of members of board of directors of First National Bank of Louisville (hereafter called bank), which committee has measure of control over trustees and determines who successor trustees shall be, it appears that bank indirectly controls election of majority of directors of each member bank listed on Exhibit A of this application and is therefore holding company affiliate of such banks. In previous case Board has ruled that where one corporation controls a majority of stock of member bank directly and another corporation controls such stock indirectly, both are holding company affiliates and each must apply for and obtain voting permit in order that stock may validly be voted. Board's practice under this ruling prevents issuance of voting permit requested in application of First National Trustees until application has been filed by bank and approved by Board. This true even though bank is not registered owner and will not itself vote stock of member banks listed on Exhibit A of this application. In filing application at this time bank need furnish only application on Form P-1, accompanied by Exhibit A, Exhibit C, statement of financial condition of applicant as of date of application without supporting data ordinarily called for with Exhibit D, Exhibit G, Exhibits L and N inasmuch as agreements and consents already on file will be effective only during life of any permit granted to First National Trustees, and Exhibits P and Q if applicable. Application should also incorporate by reference information contained in application of First National Trustees. In addition application discloses ownership by First Kentucky Company of 50 per centum of common stock and 2.9 per centum of preferred stock of Kentucky Title Trust Company, state member bank, and 50 per centum

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"of stock of First National Bank of Louisville. Since 9980 shares were voted for election of directors of First National Bank at preceding election, First Kentucky Company is owner of more than 50 per centum of number of shares voted for election of directors of First National Bank at preceding election and is, therefore, holding company affiliate of First National Bank within meaning of Section 2(c) of Banking Act of 1933 and must apply for and obtain from Board permit to vote shares of First National Bank owned by it, before same validly may be voted. If shares owned by First Kentucky Company in Kentucky Title Trust Company represent more than 50 per centum of number of shares voted for election of directors of Kentucky Title Trust Company at preceding election, First Kentucky Company is holding company affiliate of Kentucky Title Trust Company within meaning of Section 2(c) of Banking Act of 1933 and must apply for and obtain from Board permit to vote shares owned by it in Kentucky Title Trust Company before same may validly be voted. First Kentucky Company should file application for voting permit on Board's prescribed forms with respect to First National Bank and with respect to Kentucky Title Trust Company if it is holding company affiliate of latter on basis above outlined. Application should incorporate by reference information contained in application of First National Trustees, but may omit Exhibits H, I, K and O. Your recommendation and that of executive committee should be forwarded to Board with two copies of each application."

Approved.

Reply to a letter dated September 5, 1933, from Mr. E. C. Smith, Cashier of the Gap National Bank and Trust Company, Gap, Pennsylvania; the reply reading as follows:

"This refers to your letter of September 5, 1933, addressed to the Comptroller of the Currency and referred to the Federal Reserve Board for reply. You state that your bank has outstanding a large number of certificates of deposit which are of indefinite maturity but with respect to which your bank reserves the right to require written notice of thirty days before payment; and you inquire whether you may pay the above certificates that are now outstanding with interest without requiring notice. You also state that it has not been your practice to require notice before payment of a certificate of deposit.

"You will observe that under the provisions of footnote 4 of the Board's Regulation Q, interest may not be paid on a certificate of deposit with respect to which the bank merely reserves the right to require notice before payment. Under other provisions of the Regulation, however, a member bank may pay interest in accordance with the terms of any certificate of deposit which was lawfully

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"entered into in good faith prior to June 16, 1933, and in force on that date and which may not lawfully be terminated or modified by the bank at its option or without liability; but no such certificate of deposit may be renewed or extended unless it be modified to conform to the provisions of the regulation, and every member bank is required to take such action as may be necessary as soon as possible consistently with its contractual obligations to bring all such certificates of deposit into conformity with the provisions of this Regulation. The certificate of deposit inclosed with your letter, which you state is an exact duplicate of the certificates of deposit outstanding, appears to be of indefinite maturity and it would seem to the Board that your bank might lawfully have terminated the contract contained in the certificate at any time upon paying the amount due to the depositor after giving reasonable notice to him of your intention to terminate the arrangement; and that, accordingly, it was the duty of your bank to terminate or to modify such a certificate of deposit as soon as possible so as to bring it into conformity with the provisions of the Regulation. The payment of interest accruing after such modification or termination of the certificate on any deposit represented thereby is prohibited, unless the certificate as modified conforms to the requirements of the Regulation.

"With respect to the certificates of deposit issued by your bank after June 16, 1933, on the form submitted with your letter, you are advised that, inasmuch as such form does not conform to the definition of a time certificate of deposit contained in Section III of the Regulation, no interest may be paid thereon under the law.

"Upon Section 19 of the Federal Reserve Act, the Federal Reserve Board is required from time to time to limit and is authorized to prescribe the rate of interest which may be paid by member banks on time deposits and it is believed desirable that time certificates of deposit and other time deposit contracts hereafter issued or entered into by member banks should refer to this fact. It is therefore suggested that your bank print or stamp upon such certificates of deposit or contracts hereafter issued, a provision substantially in the following form:

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

"With respect to your inquiry concerning the waiving of the requirement of notice of intended withdrawal of a savings deposit, you are advised that such requirement of notice may be waived, provided the member bank complies, in all respects, with the provisions contained in Section VI of the Board's Regulation Q."

Approved.

Reply to a letter dated December 12, 1933, from Mr. E. N.

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Townsend, Assistant Financial Advisor of the Federal Home Loan Bank Board; the reply reading as follows:

"I assume that the inquiry in your letter of December 12 relates solely to bonds of the Home Owners' Loan Corporation. The conditions under which Federal reserve banks may accept such bonds as collateral for loans to member banks are prescribed by sections 10(a) and 10(b) of the Federal Reserve Act as amended, a copy of which is inclosed for your convenient reference. Loans under these sections can only be made in certain unusual circumstances when the member banks receiving the proceeds of the loans are without sufficient amounts of eligible and acceptable assets to enable them to obtain adequate credit accommodations otherwise.

"The Federal reserve banks have no authority to buy such bonds. The memorandum quoted in your letter indicates that it may have been suggested that the Federal reserve banks would have such authority under section 43 of the Act approved May 12, 1933, but as the President has not taken action under the terms of that section the possibility of purchase of such bonds by the Federal reserve banks under that section has not been determined."

Approved.

Letter to the Federal Deposit Insurance Corporation, reading as follows:

"There is inclosed for your consideration copy of a letter dated December 14, 1933, received from the Federal Reserve Agent at the Federal Reserve Bank of Richmond, together with a copy of my letter of acknowledgment of this date, stating that it is his understanding that the Federal Deposit Insurance Corporation will, prior to the first of the year, publish a list of banks, not members of the Federal Reserve System, which have been admitted to the Temporary Insurance Fund.

"In view of the fact that the Federal Deposit Insurance Corporation issued a regulation under date of November 22, reading as follows:

'No bank shall hereafter advertise its prospective connection with the Temporary Fund of this Corporation, by any form of announcement or publicity, nor shall any bank announce or advertise that it is, in fact, a member of the Temporary Fund of this Corporation or that its deposits are insured within the limitations of the Banking Act of 1933 until announcement of the name of such bank as a member of the fund has been made under the authority of the Board of Directors of this Corporation.'

it would be appreciated if you will advise whether the Corporation

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"contemplates announcing at the close of the current year the names of all banks admitted to the Temporary Insurance Fund effective January 1, 1934, including all banks, other than national banks, which are members of the Federal Reserve System."

Approved.

Letter to Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, prepared in accordance with the action taken at the meeting on December 18, 1933, reading as follows:

"Reference is made to the memorandum submitted at the meeting of the Federal Reserve Board on September 26, 1933, by a committee of your directors consisting of Messrs. Delano, Rieman and Reed, requesting approval by the Board of the purchase by the Federal Reserve Bank of Richmond of the lot which directly adjoins your annex building and has a 110 foot front on Eighth Street and 120 foot depth, and to the Board's letter of September 28, 1933, advising that the Board had considered the request of the committee of directors and did not approve the proposed purchase.

"The Federal Reserve Board has now given further consideration to the request, and I have been asked to advise you that the Board will interpose no objection to the purchase by your bank of the lot referred to at a cost of not to exceed \$85,000, plus commissions. In this connection it is noted that at the meeting of the Board on September 26, the committee of directors stated that while the option then held by your bank on this property specified a purchase price of \$85,000, it was anticipated that the bank might be able to obtain the property for \$75,000 or \$80,000.

"It will be appreciated if you will advise the Board if and when the property is acquired by your bank, and the price paid therefor."

Approved.

Reply to a letter dated December 9, 1933, from Mr. McKay, Deputy Governor of the Federal Reserve Bank of Chicago; the reply reading as follows:

"I have your letter of December 9 and read with interest the copy inclosed therewith of your letter to Dr. Burgess at New York in regard to the proposed plan for providing for depreciation in United States Government securities held for system account at the close of the year on December 31. I have also received a letter from Dr. Burgess dated December 12 inclosing a copy of his letter of the same date to the Governors of all Federal reserve banks on

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"this subject. As I understand it, the procedure proposed by Dr. Burgess with respect to the Government securities held in system account on December 31 of this year is based upon the formula which was approved by the Federal Reserve Board for use at the end of 1931. It is the view of the Board that this formula is a sound one and that it should be applied both to the Government securities held in system account and to the Government securities held separately by each Federal reserve bank."

Approved.

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

"The last paragraph of the Board's letter of May 1, 1933, X-7426, on the subject of procedure with regard to violations of the Clayton Act, reads as follows:

'The Board suggests that each Federal Reserve Agent adopt the practice of making a review during the course of each year of the outstanding Clayton Act permits issued to applicants in his district; and of submitting to the Board his recommendation in each case in which in his opinion the public interest requires the revocation of a permit effective either immediately or at the time of the next annual election of directors, together with his recommendation in each case in which he feels that there is ground for doubt under the Board's instructions as to the action which should be taken.'

"It will be appreciated if you will advise what procedure you have adopted and what progress you have made in carrying out the Board's suggestion."

Approved.

Letter dated December 20, 1933, approved by six members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. Frederick S. Chamberlain, for permission to serve at the same time as director of the Federal Reserve Bank of Boston, Boston, Massachusetts, and as director and officer of The New Britain National Bank, New Britain, Connecticut.

Approved.

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

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reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
Edgewater National Bank, Edgewater, New Jersey	45	
First National Bank of Spring Lake, Spring Lake, New Jersey	<u>75</u>	120
<u>District No. 4.</u>		
Union National Bank of Barbourville, Barbourville, Kentucky	36	36
	<u>Total</u>	<u>156</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 2.</u>		
First National Bank, East Islip, New York (Increase in capital)	15	15
<u>District No. 4.</u>		
Toledo Trust Company, Toledo, Ohio (Increase in capital, through sale of capital notes in the amount of \$5,000,000 to the Reconstruction Finance Corporation, partly offset by a decrease in surplus)	<u>1,800</u>	<u>1,800</u>
	<u>Total</u>	<u>1,815</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 1.</u>		
First National Bank of Pepperell, East Pepperell, Massachusetts (Being liquidated through conservator)	48	
Montpelier National Bank, Montpelier, Vermont (Being liquidated through conservator)	150	
National Black River Bank, Proctorsville, Vermont (Being liquidated through conservator)	<u>51</u>	249
<u>District No. 2.</u>		
Merchants National Bank, Dunkirk, New York (Decrease in capital and surplus)	240	
First Merchants National Bank & Trust Company, Middletown, New York (Being liquidated through conservator)	<u>300</u>	540
<u>District No. 4.</u>		
Harveysburg National Bank, Harveysburg, Ohio (Insolvent)	18	

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Applications for SURRENDER of Stock: (Continued)		Shares
<u>District No. 4. (Continued)</u>		
Jefferson County National Bank, Brookville, Pennsylvania (Insolvent)		150
First National Bank, New Wilmington, Pennsylvania (Being liquidated through conservator)		90
Rural Valley National Bank, Rural Valley, Pennsylvania (Being liquidated through conservator)		54
First National Bank & Trust Company, Tarentum, Pennsylvania (Being liquidated through conservator)		240
		<u>552</u>
<u>District No. 5.</u>		
First National Bank, Hancock, Maryland (Being liquidated through conservator)		45
First National Bank, Ronceverte, West Virginia (Voluntary liquidation, succeeded by First National Bank in Ronceverte)		60
		<u>105</u>
<u>District No. 7.</u>		
First National Bank, Monticello, Illinois (Being liquidated through conservator)		120
First National Bank, Morrison, Illinois (Insolvent)		102
First National Bank, Valley Junction, Iowa (Decrease in surplus)		12
		<u>234</u>
<u>District No. 9.</u>		
First National Bank, Park Rapids, Minnesota (Insolvent)		39
First National Bank, Marmarth, North Dakota (Insolvent)		30
National Bank of Anaconda, Anaconda, Montana (Insolvent)		81
First National Bank, Hayti, South Dakota (Insolvent)		18
		<u>168</u>
<u>District No. 11.</u>		
Clyde National Bank, Clyde, Texas (Insolvent)		18
First National Bank, Meadow, Texas (Insolvent)		18
		<u>36</u>
	<u>Total</u>	<u>1,884</u>

Approved.

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Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

E. R. Black
Governor.