A meeting of the Federal Reserve Board was held in Washington on Friday, December 22, 1933, at 3:00 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:

Letter dated December 14, 1933 (apparently intended to be dated December 21), from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated December 21, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, both advising that, at meetings on December 21, 1933, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter to the governors of all Federal reserve banks, reading as follows:

"The Governors' Conference which convened on October 10, 1933, voted that Federal reserve banks may, with the approval of the Federal Reserve Board, continue officers or employees of the banks on their rolls with or without compensation, depending on the circumstances, in order that they may not be removed from the banks' rosters and thereby become ineligible for the benefits of any pension plan which may be adopted in the near future.

Attention is invited to the fact that the proposed retirement plan which has been recommended by the Pension Committee of the Governors' Conference will apparently render officers or employees no longer actively connected with a Federal reserve bank ineligible to obtain the benefits of the plan because such benefits are limited to officers and employees 'in active service'; and accordingly, it is doubtful whether the continuance of employees on the
"rolls of Federal reserve banks after the discontinuance of their active service will effectuate the purpose which is intended. There is also a question as to the advisability of permitting officers or employees who are no longer actively connected with the service of a Federal reserve bank to obtain the benefits of the retirement plan. However, the Federal Reserve Board will offer no objection to the continuance on the rolls of a Federal reserve bank of officers or employees no longer actively in its service for a reasonable period of time without payment of salary or other compensation of any kind pending the adoption of the proposed retirement plan in the near future and with a view to the settlement, after the retirement plan may have been adopted, of questions as to whether they should be permitted to obtain, or are eligible to receive, the benefits of the plan. The Board feels, however, that a Federal reserve bank would not be justified in paying salary or other compensation to such an officer or employee who may be carried on its rolls merely in an endeavor to preserve his eligibility for the benefits of the proposed retirement plan."

Approved.

Letter to the board of directors of the "West Side Trust Company", Newark, New Jersey, 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 appropriate amount of stock in the Federal Reserve Bank of New York.

Approved, together with a letter to Mr. Case, Federal Reserve Agent at New York, reading as follows:

"The Federal Reserve Board has considered the application of the 'West Side Trust Company', Newark, New Jersey, for a voting permit under authority of Section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in 'The South Side National Bank and Trust Company of Newark', and 'The Peoples National Bank of Newark', both of Newark, New Jersey.

"Final action on such application has not been taken at this time. However, since a voting permit will be needed in connection with the election of directors of the two subsidiary member banks at the annual meeting of stockholders in January, and in connection with the proposed merger of the two subsidiary member banks with the applicant, the Board has approved the issuance of a limited permit to the applicant, subject to the admission of the applicant
to membership in the Federal Reserve System and to the following additional condition:

1. Prior to the issuance to the applicant of a limited voting permit, it shall agree: (a) that, as promptly as possible after the issuance to it of the limited voting permit hereinabove mentioned, it will cause a merger to be effected of The Peoples National Bank of Newark, The South Side National Bank and Trust Company of Newark and the undersigned under the charter of the undersigned, according to a plan of merger satisfactory to and approved by the Superintendent of Banks of the State of New Jersey, the Comptroller of the Currency of the United States, and the Federal Reserve Board.

"The agreement should be executed by officers of the applicant duly authorized to execute the same by an appropriate resolution of its board of directors. The form of resolution contained in Exhibit C attached to the application is broad enough to authorize the officers named therein to execute such agreement, however, and a separate resolution for this purpose will not be necessary if the agreement is executed by the officers named in Exhibit C.

"There is inclosed herewith a permit entitling the applicant to vote the stock which it owns or controls in its subsidiary member banks for the purposes set forth therein. As soon as the conditions prescribed by the Board herein have been satisfied, you are authorized to date this permit as of the date of issuance and to deliver the same to the applicant. It is requested that you advise the Board as soon as this has been done, and of the date of issuance.

"It should be understood that in authorizing the issuance of a limited voting permit at this time the Board does not thereby waive its right to require the applicant to furnish as a condition precedent to the issuance of a further permit, such additional data and agreements, if any, as may be necessary in order to complete the application heretofore filed and to satisfy the requirements of the statute and of the Board's Regulations, or of prescribing in connection with the granting of a further permit such conditions as may appear to be desirable upon further consideration of the application.

"There is inclosed herewith a copy of this letter which you are requested to deliver to the applicant."

Letter to the board of directors of the "West Branch Trust Company", Williamsport, Pennsylvania, 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 appropriate amount of stock in the Federal Reserve Bank of Philadelphia, effective if and when the West Branch Trust Company is merged with the
Lycoming Trust Company under the charter of the former institution and under the name of the West Branch Bank and Trust Company and, as such, is duly authorized by the Secretary of Banking of the Commonwealth to commence business.

Approved.

Letters to the boards of directors of the following State banks, each letter stating that, subject to the conditions prescribed in the letter and to the issuance of a limited voting permit to the BancOhio Corporation, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland:

"The Bank of Marysville Company", Marysville, Ohio.
"The Fifth Avenue Savings Bank Company", Columbus, Ohio.
"The Licking County Bank", Newark, Ohio.
"The Perry County Bank", New Lexington, Ohio.

Approved, together with a letter to Mr. Williams, Federal Reserve Agent at Cleveland, reading as follows:

"The Board has considered the application of 'BancOhio Corporation', Columbus, Ohio, for a voting permit under authority of Section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in the following banks:
'The Ohio National Bank of Columbus', Columbus, Ohio,
'The First National Bank and Trust Company of Springfield', Springfield, Ohio,
'The First National Bank of Chillicothe', Chillicothe, Ohio,
'The Citizens National Bank in Zanesville', Zanesville, Ohio,
'The First National Bank of Washington Court House', Washington Court House, Ohio,
'The Delaware County National Bank of Delaware', Delaware, Ohio,
'The Union National Bank of Cadiz', Cadiz, Ohio,
'The Commercial National Bank of Coshocton', Coshocton, Ohio,
'The National Bank of Portsmouth', Portsmouth, Ohio,
The Fifth Avenue Savings Bank Company, Columbus, Ohio,
The Licking County Bank, Newark, Ohio,
The Perry County Bank, New Lexington, Ohio, and
The Bank of Marysville Company, Marysville, Ohio,
and has authorized the issuance of a limited permit to the appli-
cant, subject to the following conditions:
A. Prior to the issuance of such limited voting permit to the
applicant, there shall be furnished:
1. Evidence satisfactory to you:
   (a) That The Fifth Avenue Savings Bank Company, Columbus,
   Ohio, The Licking County Bank, Newark, Ohio, The
   Perry County Bank, New Lexington, Ohio, and the Bank
   of Marysville Company, Marysville, Ohio, respective-
   ly, have accepted and/or satisfied the conditions of
   membership prescribed by the Federal Reserve Board
   in its letters to the banks of this date so that
   such banks may properly be admitted to membership
   in the Federal Reserve System simultaneously with,
   or forthwith upon, the issuance of the limited vot-
   ing permit authorized hereunder.

"There is inclosed herewith a permit which will entitle the ap-
pllicant to vote the stock which it owns or controls in its subsidi-
ary member banks for the purposes set forth therein. As soon as
the conditions prescribed by the Board herein have been satisfied,
you are authorized to date this permit as of the date of issuance
and to deliver the same to the applicant. It is requested that you
advise the Board as soon as this has been done, and give the date
of issuance.

"It should be understood that in authorizing the issuance of a
limited voting permit at this time the Board does not thereby waive
its right to require the applicant to furnish, as a condition pre-
cedent to the issuance of a further permit, such additional data
and agreements, if any, as may be necessary in order to complete
the application heretofore filed and to satisfy the requirements
of the statute and of the Board's regulations, or of prescribing
such conditions as may appear to be desirable upon further consider-
ation of the application.

"There is inclosed herewith a copy of this letter which you are
requested to deliver to the applicant."

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 in the
Federal reserve bank of the district in which the applicant is located:
<table>
<thead>
<tr>
<th>Applicant Bank</th>
<th>Federal Reserve Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Bank of Mount Hope&quot;, Mount Hope, West Virginia</td>
<td>Richmond</td>
</tr>
<tr>
<td>&quot;The Farmers State Bank of Lostant&quot;, Lostant, Illinois</td>
<td>Chicago</td>
</tr>
<tr>
<td>&quot;Sprague State Bank&quot;, Caledonia, Minnesota.</td>
<td>Minneapolis</td>
</tr>
<tr>
<td>&quot;Thorndale State Bank&quot;, Thorndale, Texas.</td>
<td>Dallas</td>
</tr>
</tbody>
</table>

Approved.

Telegrams to the Federal Reserve Agents at St. Louis, Minneapolis, and San Francisco, stating that, subject to the conditions prescribed in the individual telegrams, the Board approves the applications of the following State banks for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal reserve bank of the district in which the applicant is located:

<table>
<thead>
<tr>
<th>Applicant Bank</th>
<th>Federal Reserve Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Richview State Bank&quot;, Richview, Illinois.</td>
<td>St. Louis</td>
</tr>
<tr>
<td>&quot;Farmers and Merchants State Bank of Springfield&quot;, Springfield, Minnesota.</td>
<td>Minneapolis</td>
</tr>
<tr>
<td>&quot;First Bank of St. Mary's&quot;, St. Mary's, Idaho.</td>
<td>San Francisco</td>
</tr>
</tbody>
</table>

Approved.

Reply on December 21, 1933, approved by six members of the Board, to a letter dated December 13 from Mr. Dillistin, Assistant Federal Reserve Agent at New York; the reply reading as follows:

"Receipt is acknowledged of your letter of December 13, 1933, including a copy of form 85a, properly signed, which is to replace the incomplete form 85a submitted in connection with the application for membership of the Seaside Bank, Westhampton Beach, New York.

"Your request that the incomplete form be returned to your office has been noted. You are advised, however, that since the
"Application and all accompanying data is considered a part of the Board's permanent records, such form, even though incomplete, will be retained in the files of this office."

Approved.

Letter to Mr. Austin, Federal Reserve Agent at Philadelphia, reading as follows:

"Reference is made to your letter of November 18, 1933, and to the meeting in Washington on December 12, at which you were present, with regard to the reorganization plans of the Guarantee Trust Company and the Equitable Trust Company, both member banks of Atlantic City, New Jersey.

"The Federal Reserve Board is now advised that, following the meeting on December 12, the possibility of organizing a new bank in Atlantic City was considered by those interested in the reorganization of the two trust companies, that the necessary funds for the common capital stock of a new institution have been raised, that a subscription by the Reconstruction Finance Corporation for preferred stock in such institution is under consideration by the Corporation, and that if such bank is organized the Guarantee Trust Company and Equitable Trust Company will be placed in liquidation.

"In view of these circumstances, the Federal Reserve Board will take no action in connection with your letter of November 18, 1933, pending the outcome of the plans for the organization of the new bank."

Approved.

Telegram dated December 21, 1933, to Mr. Williams, Federal Reserve Agent at Cleveland, approved by six members of the Board, referring to the application of "The Erie County Banking Company", Vermilion, Ohio, now known as the Vermilion Banking Company, for permission to withdraw immediately from membership in the Federal Reserve System, and stating 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 Erie County Banking Company, the Federal Reserve Bank of Cleveland is authorized to cancel such stock and make a refund thereon.
Approved, together with a letter dated December 21, 1933, to the Attorney General of the United States, also approved by six members of the Board, reading as follows:

"The Federal Reserve Board has received an application from the Erie County Banking Company of Vermilion, Ohio, for permission to withdraw immediately from membership in the Federal Reserve System and has approved such application. In this connection, it appears that, after the banking holiday in March, 1933, the Erie County Banking Company did not obtain a license from the Secretary of the Treasury authorizing it to reopen as a member bank under the regulations issued by the Secretary pursuant to the Act of October 6, 1917, as amended by the Act of March 9, 1933, and the Executive Order of the President issued under date of March 10, 1933. Subsequently, another bank merged into the Erie County Banking Company, now known as the Vermilion Banking Company, under the charter of the latter institution, and the Superintendent of Banks for the State of Ohio issued a license to the institution under which it reopened on August 11, 1933, without obtaining a license from the Secretary of the Treasury. It is understood that this merger did not affect the membership status of the member bank and it appears, therefore, that its reopening on August 11, 1933, constituted a violation of the Executive Order and the regulations above referred to.

"A penalty is prescribed by Section 5(b) of the Act of October 6, 1917, as amended by the Act of March 9, 1933, for a violation of any license, order, rule or regulation issued thereunder, and, in accordance with the Board's usual practice in connection with criminal violations involving member banks, this violation is brought to your attention for such action as you consider advisable. The Federal Reserve Agent at the Federal Reserve Bank of Cleveland has been requested to report the matter to the proper local United States Attorney."

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 North Berwick National Bank', North Berwick, Maine, from $75,000 to $25,000, pursuant to a plan which provides for the sale of $100,000 par value preferred stock to be sold at a premium of $25,000 but redeemable at par, payment for such preferred stock to be made by using the subordinated deposit of $125,000 which is now held by the bank, and the sale for cash of $25,000 par value new common stock at par solely to persons or concerns who are familiar with the condition of the bank and this plan of"
"recapitalization. The plan provides also for the use of the released capital funds, together with the bank's surplus and undivided profits of approximately $11,721 and the $25,000 premium received from the sale of preferred stock, in eliminating substandard assets and securities depreciation in the amount of approximately $86,721, all as set forth in your memorandum of December 15, 1933.

"In considering the plan under which the reduction in common capital stock is to be effected, it was noted that no provision was made for the elimination of depreciation in securities of approximately $67,500 which amount is sufficient to eliminate all the common capital stock and impair the preferred stock to the extent of approximately $17,500. It is assumed, however, that you have this condition in mind and that whenever it becomes feasible to do so, you will obtain such further corrections as may be practicable, and it is assumed also that the proper legal steps will be taken to settle any questions arising on account of the death of Director Hurd, who contributed the funds to be used in the purchase of the preferred stock."

Approved.

Letter to Mr. Case, Federal Reserve Agent at New York, reading as follows:

"Reference is made to Assistant Federal Reserve Agent Dillis-tin's letter of December 2, 1933, transmitting the request of the 'Bank of Yorktown', New York, New York, for permission to reduce its capital stock from $1,500,000 to $1,000,000.

"In view of the recommendation of your Committee and the apparently satisfactory condition of the institution as set forth in the information submitted, the Board approves the application of the Bank of Yorktown for permission to reduce its capital stock from $1,500,000 to $1,000,000 provided, that none of the released capital funds are returned to the shareholders but that the entire amount of the reduction is used to remove objectionable assets or to augment the bank's surplus account, that the transaction has the approval of the New York State Banking Department, and that your Counsel has considered the case and is satisfied as to its legal aspects. In this connection, the Board would like to be furnished with a copy of any amendment to the bank's charter which may be adopted for the purpose of effecting the proposed capital reduction."

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 'Citizens National Bank and Trust Company of Ridgewood', Ridgewood, New Jersey, from $200,000 to $100,000 pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $400,000 par value Class 'A' preferred stock to the Reconstruction Finance Corporation, $100,000 par value of Class 'B' convertible preferred stock to stockholders or others, and $100,000 par value of common stock to stockholders of the First National Bank and Trust Company of Ridgewood, Ridgewood, New Jersey, and that the funds released by the reduction in common stock shall be used to eliminate substandard assets, all as set forth in your memorandum of December 12, 1933.

"In considering the plan under which the reduction in common capital stock is to be effected, it was noted that no provision was made for the elimination of the remaining depreciation in securities below the four highest grades of $8,900, in addition to which there will remain in the bank depreciation in the four highest grades of securities of $176,300, doubtful assets amounting to $40,795 and slow assets amounting to $413,000. It is assumed, however, that you have these conditions in mind and that whenever it becomes feasible to do so you will obtain such further corrections as may be practicable."

Approved.

Letter dated December 21, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by six members of the Board, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in common capital stock of the 'First National Bank in Sharon', Sharon, Pennsylvania, from $300,000 to $240,000, pursuant to a plan which provides that the released capital funds shall be transferred to surplus account, as set forth in your memorandum of December 8, 1933."

Approved, together with the following letter dated December 21, 1933, also approved by six members of the Board, to Mr. Williams, Federal Reserve Agent at Cleveland:

"The Federal Reserve Board approves the proposed reduction in common capital stock of the First National Bank in Sharon, Sharon, Pennsylvania, as set forth in a letter of this date to the Comptroller of the Currency, a copy of which is inclosed for your information."
It appears that a statute recently enacted by the State of Pennsylvania makes it necessary for a bank exercising trust powers to have a surplus account equivalent to 50% of its capital and that the applicant bank, in anticipation of submitting an application for permission to exercise trust powers, desires to reduce its capital and transfer the released capital funds to its surplus account in order to meet such requirement.

"In view of the information submitted and the fact that the capital stock of the subject bank is nonassessable, the Board feels justified in approving the application for a reduction in capital stock under the plan submitted; however, such approval is not to be considered as an indication of the action which the Board might take on an application of the subject bank for permission to exercise fiduciary powers. Such application, if and when submitted, will be considered solely on its merits and the action taken thereon will not be influenced by the approval of this application."

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 DeWitt County National Bank of Clinton', Clinton, Illinois, from $100,000 to $50,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $20,000 par value preferred stock to the Reconstruction Finance Corporation and the sale at par of $20,000 par value preferred stock to local interests, and that the funds released by the reduction in common capital stock shall be used to eliminate, if the bank has not already done so, substandard assets in the amount of approximately $38,715.16 and to establish a reserve for contingencies in the amount of approximately $10,000, all as set forth in your memorandum of December 11, 1933."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves the proposed reduction in the common capital stock of 'The National Citizens Bank of Canby', Canby, Minnesota, from $50,000 to $25,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $40,000 preferred stock to the Reconstruction Finance Corporation and that the funds released by the reduction in common capital stock shall
"be used, together with $15,000 to be raised locally, in eliminating unsatisfactory assets amounting to $35,000 and in creating a surplus fund of $5,000, all as set forth in your memorandum of December 16, 1933."

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 First National Bank of White Sulphur Springs', White Sulphur Springs, Montana, from $50,000 to $20,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $25,000 par value class 'A' preferred stock to the Reconstruction Finance Corporation and $5,000 par value class 'B' preferred stock to local interests, and that the funds released by the reduction in common capital stock, together with funds from the surplus and undivided profits accounts, shall be used to eliminate doubtful paper and securities depreciation in the amount of approximately $62,069, all as set forth in your memorandum of December 11, 1933."

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 Central National Bank of Columbus', Columbus, Nebraska, from $100,000 to $50,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of at least $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 unsatisfactory assets in the amount of approximately $40,000 and to increase the surplus account by approximately $10,000, all as set forth in your memorandum of December 15, 1933."

Approved.

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

"In accordance with your recommendation, the Federal Reserve
"Board approves a proposed reduction in the common capital stock of 'The First National Bank of Wamego', Wamego, Kansas, from $75,000 to $25,000, pursuant to a plan 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 provides also that a mortgage company obtain a loan for $40,000 from the Reconstruction Finance Corporation, the proceeds of which are to be paid to the bank and used, together with the funds released by the capital reduction, in eliminating undesirable assets aggregating $90,000, all as set forth in your memorandum of December 13, 1933."

Approved.

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

as follows:

"In accordance with your recommendation, the Federal Reserve Board approves the proposed reduction in the common capital stock of 'The Denver National Bank', Denver, Colorado, from $1,500,000 to $700,000, pursuant to a plan which provides for the surrender of 1,000 shares of the bank's common capital stock of a par value of $100 each, and a reduction in par value of the remaining common stock from $100 to $50 per share. The plan provides also that the bank's capital shall be increased by the sale at par of $700,000 preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock shall be credited to undivided profits and used to eliminate unsatisfactory assets in an equal amount, all as set forth in your memorandum of December 13, 1933."

Approved.

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

as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a proposed reduction in the common capital stock of 'The First National Bank of Santa Rosa', Santa Rosa, New Mexico, from $50,000 to $25,000 pursuant to a plan 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 provides also that a separate corporation is to obtain a loan for approximately $10,058 from the Reconstruction Finance Corporation; the proceeds of the loan to be used together with the funds released by the reduction in common capital stock in eliminating undesirable assets aggregating $30,058 and creating
"a surplus fund of $5,000, all as set forth in your letter of December 13, 1933."

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 First National Bank of Jacksboro', Jacksboro, Texas, from $50,000 to $25,000, pursuant to a plan 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 substandard assets in the amount of approximately $23,000 and to establish a surplus fund of $2,000, all as set forth in your letter of December 19, 1933."

Approved.

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

"In accordance with your recommendation, the Federal Reserve Board approves the proposed reduction in the common capital stock of 'The United States National Bank of Galveston', Galveston, Texas, from $1,000,000 to $500,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $500,000 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 unsatisfactory assets aggregating $466,000, the balance of $34,000 to be credited to a special reserve for contingencies, all as set forth in your letter of December 11, 1933.

"In considering the plan under which the reduction in common capital stock is to be effected, it was noted that your examiner, in his report of examination of May 26, 1933, severely criticises the policies and management of the bank, the control of which, through ownership of a majority of the capital stock, is held by the Kempner family, with two members of that family as president and vice president, respectively. Your examiner also severely criticises the concentration in loans to the Sugarland Industries and its affiliates, which are largely owned and controlled by the Kempners, and states that 'It is considered important that all lines of credit now owing this bank by the above mentioned
"Concerns be eliminated at once, that no further advances be made by this bank to them, and if unable or unwilling to do that then the Kempners should be required to fully and completely sever all active connection with this bank.

"It is assumed, however, that you have these criticised matters in mind and that whenever it becomes feasible to do so, you will obtain such further corrections as may be practicable."

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 First National Bank of Waco', Waco, Texas, from $1,000,000 to $500,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $500,000 par value preferred stock, and that the funds released by the reduction in common capital stock shall be used to eliminate unsatisfactory assets and securities depreciation in the amount of approximately $410,000, and provides also for the establishment of a reserve for contingencies of approximately $90,000, all as set forth in your letter of December 15, 1933."

Approved.

Telegrams to Mr. Walsh, Federal Reserve Agent at Dallas, stating that the Board has considered the applications of the "Republic National Bank and Trust Company of Dallas", Dallas, Texas, and the "Republic National Company", Dallas, Texas, for voting permits under authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organizations to vote the stock which they own or control in the "First National Bank in Honey Grove", Honey Grove, Texas, and "The First National Bank of Waco", Waco, Texas, and has authorized the issuance of limited permits to the applicants, subject to the following condition:

"Prior to the issuance to the Republic National Bank and Trust..."
"Company of Dallas (and to the Republic National Company) of such limited voting permit, such organization shall agree (1) that the plan involving a reduction in the capital stock of The First National Bank of Waco, Waco, Texas, and the issuance of preferred stock of that bank to the R. F. C., which plan has been heretofore submitted to the Federal Reserve Board and is referred to in the Board's letter of December 23 to the Comptroller of the Currency of the United States approving such reduction in capital stock, will be duly consummated in accordance with the terms thereof."

and for the following purposes:

"(1) To elect at annual meetings of shareholders at any time within 90 days from the date of this permit such directors of either or both of its subsidiary member banks as may be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Dallas, and to act at such meetings upon such matters of a routine nature as are ordinarily acted upon at the respective annual meetings of such banks; (2) to authorize a reduction in capital stock, change in number of shares of stock and/or change in par value of shares of stock and the issuance to the R. F. C. of preferred stock of The First National Bank of Waco, Waco, Texas, in accordance with the plan which has been submitted to the Federal Reserve Board and which is referred to in the Board's letter of this date to the Comptroller of the Currency of the United States approving such reduction in capital stock; and (3) To authorize such amendments to the articles of association, certificate of incorporation and/or by-laws of The First National Bank of Waco, Waco, Texas, and to do such other things, as may be necessary in order to consummate the plan referred to in paragraph (2) hereof."

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 First National Bank of Coos Bay at Marshfield', Marshfield, Oregon, from $100,000 to $50,000, pursuant to a plan 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, together with the bank's surplus and a portion of its undivided profits, shall be used to eliminate substandard assets in the amount of approximately $68,334, all as set forth in your letter of December 19, 1933."
"In considering the plan under which the reduction in common capital stock is to be effected it was noted that, as stated in your letter, securities depreciation remaining in the bank after the proposed adjustments will be sufficient to impair the common capital to the extent of approximately $45,000, and it seems apparent that, unless the bank is able to effect substantial collections on its charged-off assets, further steps will have to be taken for the protection of the depositors. It is assumed, however, that you have these conditions in mind and that whenever it becomes feasible to do so, you will obtain such further corrections as may be practicable."

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 First National Bank of Murray', Murray, Utah, from $100,000 to $20,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $30,000 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 and securities depreciation in the amount of approximately $60,112, to reduce the carrying value of the banking house $14,500, and to increase the undivided profits account by approximately $5,388, all as set forth in your letter of December 18, 1933."

Approved.

Letter to Mr. Case, Federal Reserve Agent at New York, reading as follows:

"The Board has considered the application of 'Marine Midland Corporation', Jersey City, New Jersey for a voting permit under authority of Section 5144 of the Revised Statutes of the United States, as amended, entitling it to vote its stock of certain subsidiary member banks. There is inclosed a limited voting permit which when issued will entitle the applicant to vote its stock of the subsidiary banks listed in the permit for the limited purposes therein specified. You are authorized to date and to issue this permit to Marine Midland Corporation as soon as you are satisfied that the applicant has properly executed and delivered to you three original counterparts of an agreement in the form hereto attached marked Exhibit A. Unless the agreement is
"executed by the officers designated in the resolution of authorization constituting Exhibit C of the application, satisfactory evidence of the authority of the signing officer should be obtained. Two of the original counterparts received by you should be forwarded to the Board.

"Consideration of the applicant's request for a full permit has been deferred until such time as will permit the completion of the proposed rehabilitation program of the constituent banks. It should be made clear to the applicant that in authorizing the issuance of a limited voting permit at this time the Board does not thereby preclude itself from requesting, as a condition of the issuance of a general permit, such additional data and agreements if any as may be necessary in order that the statute, the Board's Regulation P and the directions on the Board's printed forms of application will be fully complied with.

"It has been noted that the published combined statement of the banks of the Marine Midland Corporation group as of June 30, 1933 included inter-bank and inter-group balances, resulting in an overstatement of 'cash and with banks' in its assets and an overstatement of deposits in its liabilities. The Board feels that this type of statement should not be published since it does not present a true condition. It is requested, therefore, that you call this matter to the attention of the management of the Marine Midland Corporation with the suggestion that in all future statements the 'Due to banks and other organizations in the group' and the 'Due from banks and other organizations in the group' be eliminated or segregated in such a manner as to show clearly the inter-group balances separate from other bank balances.

"It has been noted that the Marine Midland Corporation has been making dividend disbursements since its organization. In this connection, it is observed that, according to the examination of the Corporation as at June 30, 1933 made by a representative of your office, the capital of the Corporation is impaired. It also appears that dividends have been paid in the past in excess of the actual net earnings of the Corporation. With reference to these matters, you are requested to call the attention of the management of the Corporation to its agreement with respect to dividend disbursements as set forth in Section 7 of its application for voting permit executed by the Corporation on September 30, 1933.

"There are inclosed copies of this letter and of the limited voting permit which you are requested to transmit to the proper State banking authority."

Approved.

Letter to the "Hudson-Harlem Valley Corporation", Mount Kisco, New York, reading as follows:
"The Board has considered your application for a voting permit under authority of Section 5144 of the Revised Statutes of the United States, as amended, entitling you to vote the stock which you own or control of 'Trust Company of Northern Westchester', Mount Kisco, New York, and has authorized the issuance of a limited permit to you. Such permit is inclosed herewith.

"It should be understood that in authorizing the issuance of such limited voting permit at this time the Board does not thereby waive its right to require you to furnish, as a condition precedent to the issuance of a further permit, such additional data and agreements, if any, as may be necessary in order to complete your application heretofore filed and to satisfy the requirements of the statute and of the Board's regulations, or of prescribing such conditions as may appear to be desirable upon further consideration of the application."

Approved.

Letter to "473 Broadway Holding Corporation", Saratoga Springs, New York, reading as follows:

"The Board has considered your application for a voting permit under authority of Section 5144 of the Revised Statutes of the United States, as amended, entitling you to vote the stock which you own or control of 'The Adirondack Trust Company', Saratoga Springs, New York, and approves the application as filed. The voting permit is sent you herewith."

Approved.

Telegraphic reply to a telegram dated December 20, 1933, from Mr. Case, Federal Reserve Agent at New York; the reply reading as follows:

"Re your telegram December 20. Upon notification by you that 'Montclair Trust Company' has fulfilled condition specified in Board's letter to it dated December 18, 1933, Board will issue limited voting permit for purposes referred to in said letter and also to enable Montclair Trust Company to vote its stock of First National Bank of Cedar Grove 'to amend the articles of association of that bank and to take other action necessary to authorize an issue of preferred stock and the sale and disposal thereof, all as provided by law, such stock to be in an amount and to have such incidents as may be approved by the Federal Reserve Agent at the Federal Reserve Bank of New York'."

Approved.
Telegram to Mr. Williams, Federal Reserve Agent at Cleveland, stating that the Board has considered the application of the "Monongahela Trust Company", Homestead, Pennsylvania, for a voting permit under authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The Hays National Bank", Hays, Pennsylvania, and "The First National Bank of Homestead", Homestead, Pennsylvania, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"That applicant deliver to you in duplicate certified copies of its charter with all amendments to date for examination and approval by your counsel. One copy of which with your counsel's opinion should be forwarded to Board."

and for the following purposes:

"(i) To elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof, at any time during the month of January, 1934, and to act at such meetings, or any adjournments thereof, upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks. (ii) To authorize the issuance by The First National Bank of Homestead, Homestead, Pennsylvania, of preferred stock of one or more classes in the aggregate amount of $150,000 and with such par value as shall be approved by the Comptroller of the Currency, and to make such amendments to its articles of association as may be necessary for this purpose."

Approved.

Letter to the "Union Trust Company of New Castle", New Castle, Pennsylvania, reading as follows:

"The Board has considered your application for a voting permit under authority of Section 5144 of the Revised Statutes of the United States, as amended, entitling you to vote the stock which you own or control of the 'First National Bank of Lawrence County', New Castle, Pennsylvania, and has authorized the issuance of a limited permit to you. Such permit is inclosed herewith."
"The Board is not at this time granting you an unlimited voting permit because it has been unable to give the full consideration thereto which such a permit requires.

It should be understood that in authorizing the issuance of such limited voting permit at this time the Board does not thereby waive its right to require you to furnish, as a condition precedent to the issuance of a further permit, such additional data and agreements, if any, as may be necessary in order to complete your application heretofore filed and to satisfy the requirements of the statute and of the Board's regulations, or of prescribing such conditions as may appear to be desirable upon further consideration of the application."

Approved.

Letter to Mr. Peyton, Federal Reserve Agent at Minneapolis, reading as follows:

"The Board has on file the application of 'Minneapolis National Company', Minneapolis, Minnesota, for a voting permit under authority of Section 5144 of the Revised Statutes, as amended, entitling it to vote the stock which it owns or controls of the following member banks:

'The Third Northwestern National Bank of Minneapolis', Minneapolis, Minn.
'The Fourth Northwestern National Bank of Minneapolis', Minneapolis, Minn.
'The Fifth Northwestern National Bank of Minneapolis', Minneapolis, Minn.

'Since receipt of the application the Board has been informed by representatives of the applicant company that under proposed plans involving the recapitalization and to an extent the reorganization of certain subsidiaries of the Northwest Bancorporation, Minneapolis, Minnesota, it is contemplated that Minneapolis National Company will cease to own or control its present shares of stock in the three subsidiary member banks designated above before the time at which such stock will be voted and before that time will cease to occupy the status of a holding company affiliate. As the proposed plans are understood to make it unnecessary for Minneapolis National Company to obtain a voting permit, the Board is deferring action upon its application.

'Will you please notify the applicant company accordingly.'"

Approved.

Reply to telegrams dated December 9, 1933, from Mr. Young, Governor of the Federal Reserve Bank of Boston; the reply reading as
Reference is made to your two telegrams of December 9, 1933, in regard to purchases of bills by the Federal Reserve Bank of Boston.

In one of these telegrams you stated that the Federal Reserve Bank of Boston has suggested to one of its member banks that, if it later should find it necessary to offer any bills for sale, such offer be made to the Federal Reserve Bank of Boston instead of to the New York market; that this action was taken because of your desire to increase your earnings; and that, if such a purchase by your bank is ultimately consummated, it will have no material effect upon the general credit situation.

In the other telegram you stated that the Federal Reserve Bank of Boston has purchased from the National Shawmut Bank of Boston indorsed bankers' bills in the amount of $2,000,000, at a rate of one-half of one per cent, with maturities from eleven to fourteen days; that you purchased these bills because you desired additional earnings, because with the expanding seasonal demand your action had no effect upon the money market, and because the member bank had previously purchased some short-term Government securities that were timed to meet certain maturities coming due in the future; and that the bank offered the bills to the Federal Reserve Bank to relieve the temporary situation during the interim. In this connection you stated that you made the purchase of these bills in accordance with paragraph 5 of section 7 of Regulation 'M'.

You will observe that paragraph 5 of section 7 of Regulation 'M' provides that, except with the approval of the Federal Reserve Board, no Federal reserve bank shall engage in any open market transactions (a) which are not of the customary character, (b) which do not occur in the ordinary course of business, (c) which are engaged in for the purpose of affecting general credit conditions, or (d) which may have a material effect upon general credit conditions; with a proviso that any Federal reserve bank may purchase obligations for the purpose of affording relief in a situation involving a specific banking institution in its district.

It is not clear, therefore, that the transactions referred to in your two telegrams are of a character which may be engaged in without the approval of the Federal Reserve Board before they are consummated and it will be appreciated if you will state more specifically the reasons why in your opinion they do not require approval of the Federal Reserve Board under paragraph 5 of section 7 of Regulation 'M', so that the matter may be given full consideration before the Board rules upon the matter.

Approved.

Reply on December 21, 1933, approved by six members of the
Board, to a letter dated August 11 from Mr. Horace S. Stewart, President of the Merchants National Bank of Bangor, Maine; the reply reading as follows:

"Your letter of August 11, 1933, addressed to the Comptroller of the Currency, has been referred to the Federal Reserve Board for reply. You request to be advised whether national banks may pay interest on demand deposits of mutual loan and building associations.

"As you know, Section 19 of the Federal Reserve Act as amended prohibits a member bank of the Federal Reserve System from paying any interest on any deposit which is payable on demand; but the law provides that this prohibition shall not apply to any deposit made by a mutual savings bank.

"The Board does not have sufficient information as to the nature of the organizations referred to by you to enable it to advise you definitely whether they are mutual savings banks within the meaning of this provision of the statute. It is assumed, however, that you have in mind associations of the type known as 'loan and building associations', organized and existing in accordance with the provisions of Sections 98-122 of Chapter 52 of the Revised Statutes of the State of Maine. It appears that such associations issue shares to their members upon either a serial or permanent plan, and that loans are made to their members on the security of such shares and of real estate mortgages. It does not appear that such associations have authority to receive deposits or that the functions which they perform are those which are characteristic of mutual savings banks. Accordingly, the Board is of the opinion that loan and building associations which are subject to the statutory provisions above mentioned cannot be considered mutual savings banks for the purposes of Section 19 of the Federal Reserve Act as amended; and that, therefore, no interest may lawfully be paid by a member bank on deposits of such associations which are payable on demand."

Approved.

Reply on December 21, 1933, approved by six members of the Board, to a letter dated November 22 from Mr. Clyde Crafts, Vice President and Cashier of The First National Bank, Saltville, Virginia; the reply reading as follows:

"This refers to your letter of November 22, 1933, inclosing a form of certificate of deposit with respect to which you request
"Inasmuch as the certificate inclosed by you provides that it may be renewed at any time after six months and also that interest shall cease after twelve months 'unless renewed', it is not clear when such certificate matures; but, in view of the fact that the instrument requires 30 days' notice in writing to be given before the withdrawal of any deposit, it would appear that the certificate conforms to the definition of 'time certificates of deposit' contained in Section III(a) of the Board's Regulation Q. However, the Board does not look with favor upon the use of certificates of deposit of this character and it is suggested that the form used by you be modified so as to eliminate any possible uncertainty with respect to the maturity of the certificate.

"It is noted that the certificate submitted with your letter provides that in order 'to withdraw the principal or any part thereof, thirty days' notice in writing is required by Federal law and cannot be waived'. As you will observe from the provisions of Regulation Q, a time deposit, with respect to which notice is required to be given a certain specified period before any withdrawal is made, may not be paid by a member bank until such required notice has been given and the specified period thereof has expired; but a time deposit payable on a certain date or at the expiration of a certain specified time, not less than thirty days after the date of the deposit, may be paid at the maturity thus fixed and no notice whatever is required to be given before such payment.

"In its letter to you under date of November 10, 1933, the Board inclosed certain forms of certificates, which in the Board's opinion comply with the definition of time certificates of deposit contained in the Board's Regulation Q. In this connection, in order that the depositors may have actual knowledge that the rate of interest stated therein is subject to modification by the Federal Reserve Board, it is suggested that a provision substantially in the following form be printed or stamped upon any such certificates used by you:

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

Approved.

Letter dated December 21, 1933, to Mr. Newton, Federal Reserve Agent at Atlanta, approved by six members of the Board, reading as follows:

"There are inclosed herewith copies of letters dated October
"5 and October 30, 1933, received by the Board from the Assistant
Vice President of The First National Bank of Birmingham, Birmingham,
Alabama, in which the question is raised whether the payment
by that bank of premiums on bonds given to secure deposits of
funds of bankrupt estates is to be regarded as an indirect payment
of interest on deposits payable on demand within the meaning of
the prohibition of Section 19 of the Federal Reserve Act. The
Federal Reserve Board has not been able to give this matter ade-
quate consideration and, as you will note, the letters from The
First National Bank of Birmingham do not contain sufficient infor-
mation upon which to base a conclusion as to whether the payment
of premiums on such bonds falls within the scope of the ruling of
the Federal Reserve Board contained in its telegram of July 12,
1933, (X-7500).

"It will be appreciated if you will communicate with The First
National Bank of Birmingham and ascertain the facts with respect
to this matter particularly with reference to the relation of the
amount of the bonds and premiums thereon to the amount of the de-
posits in question. If, after your Counsel has considered the in-
formation thus obtained, he is of the opinion that the payment of
premiums on the bonds in question does not fall within the prin-
ciple of the Board's ruling of July 12, 1933, it is requested that
you advise The First National Bank of Birmingham accordingly; but
if your Counsel feels that the principle of that ruling is probably
applicable to this case, it will be appreciated if you will submit
the information obtained together with the views expressed by your
Counsel in the matter to the Federal Reserve Board for further con-
sideration."

Approved.

Reply on December 21, 1933, approved by six members of the
Board, to a letter dated November 21 from Congressman Hatton W. Summers,
Chairman of the Committee on the Judiciary, House of Representatives,
Washington, D. C.; the reply reading as follows:

"As indicated in your letter of November 21, 1933, a copy of
the letter of October 27, 1933, addressed to you by Mr. R. W.
Crenshaw of Atlanta, Georgia, which you had forwarded to the Compt-
troller of the Currency, was referred to the Federal Reserve
Board.

"Upon consideration of the matter, however, it appeared that,
since Section 21 of the Banking Act of 1933 provides a penalty
of fine or imprisonment for a violation of its provisions, and
since the determination of the question whether a person should
be prosecuted for such a violation is a matter entirely within the
"jurisdiction of the Department of Justice, an expression of opinion by the Federal Reserve Board on the question whether the provisions of that section were violated in a particular case would not afford protection from criminal prosecution if the Department of Justice, upon consideration of the matter, should take the position that there had been a violation and should feel it necessary to prosecute therefor. Accordingly, the Federal Reserve Board does not feel that it would be appropriate for it to undertake to express opinions upon such questions.

"The Board understands, however, that the Comptroller of the Currency is considering referring the matter to the Department of Justice for an opinion, and it is assumed that the Comptroller of the Currency will communicate with you again regarding Mr. Crenshaw's inquiry.

"An extra copy of this letter is inclosed for your convenience."

Approved.

Memorandum dated December 19, 1933, from the Committee on Salaries and Expenditures with regard to the requests received from the Federal reserve banks for authority to make certain charge-offs at the end of the current year, to set up certain reserves, and to pay the regular semi-annual dividend at the end of 1933; the Committee recommending:

1. That the Board request each Federal reserve bank to set aside a reserve to cover depreciation on its holdings of United States bonds and Treasury notes, maturing after 1934, equal to the excess of book value as of December 29 over market value, less such part of the premium on these securities as will be amortized in 1934, amortization charges to be at a rate which will exhaust the premium on the call date of the security on which the premium is carried.

2. That the Board authorize Federal reserve banks to make the usual additions to their reserves for depreciation on bank buildings and fixed machinery and equipment; that the New York bank be advised that the Board has not approved the proposed special charge-off of $2,000,000 on the bank's main building and annex building as it does not believe it desirable at this time to depart from the established practice in making provision for depreciation on bank buildings, but that, inasmuch as the bank has not set aside the maximum reserve of 10% each year on fixed machinery and equipment.
permissible under the Board's general instructions, the Board will offer no objection to the bank increasing its reserves on fixed machinery and equipment at the end of the current year by an amount sufficient to bring the reserves up to what they would have been had the bank set aside a reserve of 10% each year since the buildings were completed; that the Federal Reserve Bank of Cleveland be authorized to make a special charge-off of $170,450 on the Liberty-Ninth Street building in Pittsburgh, Pennsylvania; and that the Board authorize the Federal Reserve Bank of San Francisco to make a special charge-off of $54,692.19 on its land in Los Angeles in order to reduce the book value thereof to the estimated market value of $400,000.

3. That each Federal reserve bank be authorized to set up a reserve to cover its proportionate share of estimated probable losses on the Hungarian credit and on past due acceptances purchased from foreign correspondents.

4. That each Federal reserve bank be authorized to charge off the amount of furniture and equipment purchased during the year.

5. That each Federal reserve bank be authorized to pay the regular semi-annual dividend.

6. That the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta and San Francisco be authorized to set up certain reserves for probable losses on discounted bills and/or municipal warrants. In this connection the Committee also recommended that the Board amend its general instructions governing the preparation of earning and expense reports and profit and loss statements by Federal reserve banks by eliminating the second sentence of paragraph 2 on page 34 of such instructions which provides: "The Board will authorize a charge to surplus to cover losses on discounted bills only in case such losses have been definitely and finally determined, and the bank does not have sufficient reserves or current net earnings to cover such losses" and that all Federal reserve banks be advised of this change in the Board's instructions.

7. That the Federal Reserve Bank of New York be authorized to increase its reserve for self-insurance by an amount equal to the earnings on United States Government securities in which the bank's self-insurance fund is invested, provided that the net earnings of the bank remaining after making provision for all other authorized reserves and charge-offs and accrued dividends are sufficient for this purpose; and that
the Federal Reserve Bank of Minneapolis be advised that, inasmuch as the bank will not have sufficient net earnings to cover dividend payments and any addition to the reserve for self-insurance at the end of the current year would result in a reduction in the bank's surplus account, the Board has not approved the proposed increase in the bank's self-insurance reserve at the end of the year by an amount equal to the net earnings during 1933 on the United States securities in which the bank's self-insurance funds are invested.

8. That the Federal Reserve Bank of Richmond be advised that, inasmuch as the retirement plan now under consideration, if approved, will not become effective till next year and as no other Federal reserve bank has set up a reserve for establishing a pension fund, it is requested that the Richmond bank return to its profit and loss account the saving to the bank on temporary salary reductions during 1933 amounting to $42,583.33, which had been set up as a pension reserve.

9. That, in view of the small amount involved and of the possibility that arrangements may be made whereby the Treasury will absorb loss resulting from abrasion on gold coin, the Federal Reserve Bank of Minneapolis be advised that, after reviewing the bank's request for authority to set up a reserve of $25,000 to cover the estimated abrasion loss on light-weight gold coin, the Board feels that it would be better not to set up a reserve for this purpose at this time.

The recommendations of the Committee were approved.

Reply to a letter dated December 6, 1933, from Mr. Walter S. Bucklin, President of The National Shawmut Bank of Boston, Massachusetts; the reply reading as follows:

"Your letter of December 6, 1933, addressed to Governor Black states that three directors of your bank are partners in a firm engaged in dealing in securities, and raises several questions regarding the applicability of Section 32 of the Banking Act of 1933 and Section 8A of the Clayton Act (Section 33 of the Banking Act of 1933) to the service of such directors.

"You ask first whether any distinction is made between national banks and State member banks in connection with an application by a director for permission to be at the same time a partner of a firm dealing in securities. This question relates to the provisions of Section 32 of the Banking Act of 1933 which contains certain prohibitions which are applicable to an officer or director
"of 'any member bank'. The section therefore makes no distinction between national banks and State member banks.

"Your second question is whether a director of a member bank who is a partner in a firm which carries margin accounts for its customers may obtain a permit pursuant to the provisions of Section 32. That section authorizes the Board to issue permits, and provides that the prohibitions contained in that section shall not be applicable to any case in which such a permit has been issued.

"However, as you indicate by your third question, the provisions of Section 6A of the Clayton Act must also be taken into consideration. Your letter does not describe the exact manner in which the margin accounts to which you refer are carried, but if they involve the making of 'loans secured by stock or bond collateral', the service of these directors would come within the prohibitions of Section 6A also. Accordingly, a permit issued under Section 32 of the Banking Act of 1933, although it would take the service of these directors out of the prohibitions of Section 32, would serve no useful purpose in such a case unless Section 6A of the Clayton Act were likewise not applicable to them.

"Section 6A of the Clayton Act is not applicable in any case in which a permit has been issued by the Federal Reserve Board. However, the Board's authority to issue permits covering relations within the prohibitions of the Clayton Act is limited, by Section 8 of that Act, to the issuance of permits covering relationships between banking organizations of certain types, with the result that, unless the partnership to which you refer is an organization of that kind, the Board is without authority to issue a permit exempting the service in question from the provisions of the Clayton Act.

"The principal question in your letter therefore is whether a permit issued pursuant to the authority granted in Section 32 will also exempt the relationship which it covers from the provisions of the Clayton Act.

"In considering this question, it should be noted that permits issued by the Board under the provisions of the Clayton Act clearly apply only to the prohibitions of that Act, since the provision in Section 8 authorizing the issuance of permits provides that 'nothing in this Act shall prohibit' relationships of certain types 'if in any case there is in force a permit therefor issued by the Federal Reserve Board; and the Federal Reserve Board is authorized to issue such permit' under certain circumstances.

"Section 32 applies to certain specified relationships, which are not the same as those covered by Section 8A of the Clayton Act, and renders unlawful the relationships to which it applies 'unless in any such case there is a permit therefor issued by the Federal Reserve Board; and the Board is authorized to issue such permit if in its judgment it is not incompatible with the public interest'. There is no reason to assume that the Board is authorized by this provision in Section 32 to issue permits which will make the service
in question lawful regardless of any other provision of law which might be applicable in a particular case. It is felt that an interpretation which would reach such a result would be an unwarranted extension of the authority contained in Section 32.

Accordingly, a permit issued under Section 32 would serve no useful purpose in a case where the relationship was prohibited by the Clayton Act and no permit had been issued pursuant to the provisions of that Act.

As you know, the phrase 'organized or operating under the laws of the United States' in Section 8 and Section 8A of the Clayton Act is not applicable to State member banks of the Federal Reserve System."

Approved.

Letter dated December 21, 1933, to Mr. Philip Lehman, New York, New York, approved by five members of the Board, reading as follows:

"The Federal Reserve Board has given careful consideration to your application for a permit under Section 32 of the Banking Act of 1933, covering your service as a director of the Corn Exchange Bank Trust Company, New York, New York, and as a partner of the firm of Lehman Brothers.

It appears from the information submitted that the firm of Lehman Brothers is a dealer in securities and that among its other activities, it participates in the underwriting and flotation of securities. It appears also that the Corn Exchange Bank Trust Company, pursuant to an arrangement with your firm, takes a participation of ten percent, with certain limitations, in the participations of your firm in accounts formed to bid for State, county and municipal securities.

Accordingly, it appears to the Board that the relationship covered by your application is precisely the type of relationship which it was the purpose of Section 32 of the Banking Act to terminate. The Board is not unmindful of the fact that the Corn Exchange Trust Company values your services and the investment advice which you are able to give to it, and the Board has no reason to believe that you will not conscientiously endeavor to discharge properly your duties as director, notwithstanding the fact that you are also a partner of Lehman Brothers.

However, in view of the declared policy of Congress, the Board is not satisfied that it would not be incompatible with the public interest to grant your application.

In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent."

Approved.
12/22/33

Letter to Mr. Lewis Cass Ledyard, Jr., New York, New York,

reading as follows:

"Consideration has been given to your application for permission, pursuant to Section 32 of the Banking Act of 1933, to serve as a trustee of the United States Trust Company of New York, New York, and as a director of the Northern Finance Corporation, New York.

"It appears that the Northern Finance Corporation was organized by the late Mr. Oliver H. Payne for the purpose of making gifts to or trusts for certain of his nephews and nieces; that he transferred various stocks and bonds to the Corporation and received therefor the notes and stocks issued by the Corporation; that you and United States Trust Company of New York now hold all of the outstanding notes and stock of the Corporation in trust for certain nephews and nieces of Mr. Payne; that the Corporation is empowered to buy, hold and sell property, including stocks and bonds; that most of the securities now owned by it represent the same properties as were transferred to it upon its organization, since it has never been its custom to make many changes in its investments; that it has purchased no securities whatever since May, 1925, except, on three occasions, United States Treasury short-term certificates or notes, and except for exercising its right, as stockholder, to subscribe to stock; and that, since September, 1926, it has sold no securities except one comparatively small block of stock which it had owned for many years, and except certain 'rights' received by it as stockholder in other corporations.

"In view of the facts disclosed in your application, it appears that Northern Finance Corporation is not a corporation 'engaged primarily in the business of purchasing, selling, or negotiating securities', within the meaning of Section 32 of the Banking Act of 1933; and that, therefore, no permit is required under the provisions of that section covering your service as director of that Corporation and as trustee of the United States Trust Company of New York."

Approved.

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

"Consideration is being given to the application of Mr. William P. Potter, under the provisions of the Clayton Act, for permission to serve as a director of The First National Bank, New Bedford, Massachusetts, and as president of The New Bedford Morris Plan Company, New Bedford, Massachusetts.

"The condition of the national bank is unsatisfactory, but your
"report on Form 94 contains little information as to the char-
acter of the management of the banks, and contains no informa-
tion with respect to the extent of the applicant’s responsibility
for the condition of the national bank.
"In order that the Board may be in a position to pass upon
this application, you are requested to advise the Board more
fully regarding these matters.
"The application asks for permission to serve as 'president'
of The New Bedford Morris Plan Company, and in this connection
you are requested to advise the Board whether the applicant de-
sires a permit to serve as officer and director, or merely as
officer, of that Company."

Approved.

Letters dated December 21, 1933, approved by six members of
the Board, to applicants for permits under the Clayton Act, advising
of approval of their applications as follows:

Mr. Percival H. Safford, for permission to serve at the same
time as director of the Rochester Trust Company, Rochester, New
Hampshire, and as officer and director of The New Public National

Mr. Leslie P. Snow, for permission to serve at the same time as
officer and director of the Rochester Trust Company, Rochester,
New Hampshire, and as director of The New Public National Bank
of Rochester, Rochester, New Hampshire.

Mr. Huntley N. Spaulding, for permission to serve at the same
time as director of the Rochester Trust Company, Rochester, New
Hampshire, and as director of The New Public National Bank of
Rochester, Rochester, New Hampshire.

Mr. Rolland H. Spaulding, for permission to serve at the same
time as director and officer of the Rochester Trust Company,
Rochester, New Hampshire, and as director and officer of The

Mr. Levi B. Phillips, for permission to serve at the same time
as director and officer of The National Bank of Cambridge, Cam-
bridge, Maryland, and as director of the Baltimore branch, Fed-
eral Reserve Bank of Richmond, Baltimore, Maryland.

Mr. W. H. Wood, for permission to serve at the same time as of-
fficer and director of the American Trust Company, Charlotte,
North Carolina, as director of the Charlotte branch, Federal
Reserve Bank of Richmond, Charlotte, North Carolina, and as officer and director of the American Bank and Trust Company, Monroe, North Carolina.

Approved.

There were then presented the following applications for original 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 and Location</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 1</td>
<td>Rhode Island Hospital National Bank of Providence, Providence, Rhode Island</td>
<td>3,000 3,000</td>
</tr>
<tr>
<td>No. 2</td>
<td>The National Bank of Tuxedo, Tuxedo, New York</td>
<td>42 42</td>
</tr>
<tr>
<td>No. 3</td>
<td>First National Bank in Birdsboro, Birdsboro, Pennsylvania</td>
<td>72 72</td>
</tr>
</tbody>
</table>

**Total** 3,114

**Applications for SURRENDER of Stock:**

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name and Location</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 1</td>
<td>The Wellesley National Bank, Wellesley, Massachusetts (Decrease in capital)</td>
<td>18 18</td>
</tr>
<tr>
<td>No. 5</td>
<td>National Bank of Commerce, Norfolk, Virginia (Consolidation of Virginia National Bank and The Norfolk National Bank of Commerce &amp; Trusts)</td>
<td>660 660</td>
</tr>
<tr>
<td>No. 10</td>
<td>Commercial National Bank, Kansas City, Kansas (Decrease in capital)</td>
<td>270 270</td>
</tr>
</tbody>
</table>

**Total** 948

Approved.

Thereupon the meeting adjourned.

Approved:

Governor.

Secretary.