

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, December 26, 1933, at 2:30 p. m.

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

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

The Committee considered and acted upon the following matters:

Telegram to Mr. Hoxton, Federal Reserve Agent at Richmond, reading as follows:

"Your letter November 4. Board approves reappointment for 1934 of Mr. J. G. Fry as assistant Federal reserve agent and of Mr. R. L. Shepherd as acting assistant Federal reserve agent at your bank. In accordance with request contained in your letter December 23, Board approves temporary appointment, effective January 1, 1934, of Messrs. L. E. Anderson and C. E. Francis as acting assistant Federal reserve agents at your Baltimore and Charlotte branches, respectively, upon condition that before the temporary appointments become effective they resign their respective positions as chief clerk and audit and stock room clerk, with the understanding that during such periods as they are not engaged with their duties as acting assistant Federal reserve agents they may be detailed by Federal reserve agent to perform such functions in the auditing department as agent may consider advisable. Each appointee should execute usual form of oath of office and surety bond in amount of \$50,000, and appointees should not enter upon performance of their duties as acting assistant Federal reserve agents until bonds have been approved by Federal Reserve Board. Before bonds are forwarded to Board for approval, they should be examined by your counsel to determine whether their execution complies fully with rules printed on reverse side of form of bond 182. In view of requirement of Section 16 of Federal Reserve Act that Federal reserve notes, etc. issued to or deposited with Federal reserve agent be held for such agent in joint custody of himself and Federal reserve bank, Board feels that representative of Federal reserve agent participating in such joint custody should be responsible to Federal reserve agent and independent of bank. It is understood Messrs. Anderson and Francis will be transferred

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"to pay roll of Federal reserve agent at same salaries they have been receiving from bank."

Approved.

Telegraphic reply on December 23, 1933, approved by four members of the Board, to the telegram dated December 19 from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago; the reply reading as follows:

"Your telegram 19. With understanding that before assuming his new duties Mr. Dunn will sever completely his connection with legal firm and that retention of legal firm as counsel your bank will be discontinued at end of current year, Board approves salary at rate of \$12,000 per annum fixed by your directors for Mr. Dunn as general counsel your bank, effective January 1, 1934."

Approved.

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

"Your letter December sixteen Board approves appointment following examiners in Federal Reserve Agent's department your bank during nineteen thirty four: S. G. Sargent, Chief Examiner, H. A. Sonne with title of Assistant Chief Examiner; H. D. Swengel, G. A. Snow, C. P. Weigand, S. Zeno Varnes, H. O. Voget as examiners; and W. D. Shortt as assistant examiner, all on a permanent basis; and approves continuance of appointment of S. L. Stewart, E. F. Sims, A. L. Cryor, M. W. Starbuck as examiners and G. A. Dike and H. B. Heim as assistant examiners on temporary basis."

Approved.

Letters to the boards of directors of the following State banking institutions, each letter stating that, subject to the conditions prescribed in the letter, the Board approves the institution's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal reserve bank of the district

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in which the applicant is located:

<u>Applicant Bank</u>	<u>Federal Reserve Bank</u>
"The Commercial Bank Company", Celina, Ohio.	Cleveland
"American Bank and Trust Company", Suffolk, Virginia.	Richmond

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at Minneapolis, stating that, subject to the conditions prescribed in the telegram, the Board approves the application of the "State Bank of Aurora", Aurora, Minnesota, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Minneapolis.

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 Lawdale National Bank of Chicago', Chicago, Illinois, from \$350,000 to \$250,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of \$350,000 par value preferred stock to the Reconstruction Finance Corporation, that the bank shall consolidate with the affiliated Lawdale State Bank, and that the funds released by the reduction in common capital stock, together with the bank's surplus and undivided profits of approximately \$100,000, funds in the amount of approximately \$115,000 made available by a voluntary cash contribution of the stockholders, approximately \$269,000 representing the remaining capital stock of the Lawdale State Bank after the elimination of losses, and approximately \$27,000 additional funds made available by reinstating certain charged off assets, shall be used to eliminate substandard assets and securities depreciation in the amount of approximately \$611,000, all as set forth in your memorandum of December 18, 1933."

Approved.

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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 Sandoval', Sandoval, Illinois, from \$40,000 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 undesirable assets, all as set forth in your memorandum of December 18, 1933."

Approved.

Letter dated December 23, 1933, to Mr. O'Connor, Comptroller of the Currency, approved by four members of the Board, reading as follows:

"Reference is made to your memorandum of December 14, 1933, in regard to a proposed reduction in the common capital stock of 'The American National Bank of Sidney', Sidney, Nebraska, with which was transmitted a copy of a telegram from the president of the bank stating that it would be impossible to meet the requirement for a contribution of \$10,000 which was a part of the proposed plan.

"In this connection it is noted that the bank's former surplus account was used to eliminate losses estimated by your examiner in his report of examination of July 17, 1933, and that the funds to be released by the proposed capital reduction, together with the bank's undivided profits, are sufficient to eliminate all estimated securities depreciation and approximately one-half of the doubtful items.

"It is further noted that the proposed capital of \$65,000 is small in proportion to total deposits of \$675,000 and, therefore, the establishment of the proposed surplus of \$10,000 was regarded as a particularly desirable feature of the plan as originally submitted, inasmuch as it provided for a more favorable ratio of capital structure as compared with deposits and afforded a measure of protection to the capital against potential losses in the slow and doubtful classifications.

"In accordance with your recommendation, however, and inasmuch as the \$25,000 stock liability released as a result of the reduction in common capital stock is more than offset with \$40,000 of cash received from the sale of preferred stock, the Board waives the requirement for a voluntary contribution of

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"\$10,000 by the bank's stockholders to provide a surplus fund, with the understanding that the other features of the plan remain unchanged."

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 Stephens National Bank of Fremont', Fremont, 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 \$50,000 or more par value preferred stock to the Reconstruction Finance Corporation, and provides also for a loan of \$50,000 or more to be obtained from the Reconstruction Finance Corporation by the Fremont Mortgage Company for the benefit of the bank; the funds released by the reduction in common capital stock, together with the proceeds of the loan, to be used to eliminate a corresponding amount of undesirable assets, 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 reduction in the common capital stock of 'The Bommer County National Bank of Sandpoint', Sandpoint, Idaho, from \$50,000 to \$30,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of \$35,000 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 undesirable assets, all as set forth in your letter of December 19, 1933."

Approved.

Letter to the "Bloomfield Bank and Trust Company", Bloomfield, New Jersey, 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

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"you own or control of 'The Watsessing Bank', Bloomfield, New Jersey. The Board is unwilling at this time to grant you the general permit requested, but upon the condition set forth below, authorizes the issuance to you of a limited voting permit entitling you to vote the stock of The Watsessing Bank, Bloomfield, New Jersey, now or hereafter owned or controlled by you, for the purpose of amending the certificate of incorporation of that bank in order to effect any plan for the readjustment of its capital structure by the issuance of preferred stock or capital notes or debentures which may be approved by the Commissioner of Banking and Insurance of the State of New Jersey and the Federal Reserve Agent at the Federal Reserve Bank of New York, and for the further purpose of electing directors at the annual meeting of stockholders of that bank in January, 1934, and transacting at that meeting such matters of a routine nature as are ordinarily acted upon at the bank's annual meetings.

"The condition upon which the limited voting permit is granted is that prior to the issuance thereof you shall execute and deliver to the Federal Reserve Agent at the Federal Reserve Bank of New York three original counterparts of an agreement in the form hereto attached as Exhibit A duly signed on your behalf by Allison Dodd, President, or Francis A. Schilling, Vice President, the officers designated in the resolution of authorization constituting Exhibit C of your application, and with your corporate seal attested by the proper officer. A copy of this letter has been forwarded to the Federal Reserve Agent at the Federal Reserve Bank of New York with instructions to advise the Board by telegram when the foregoing condition has been complied with in a manner satisfactory to him. Upon receipt of such advice the limited voting permit referred to will be forwarded to you.

"Further consideration of the issuance of a general permit authorizing you to vote your stock of The Watsessing Bank is deferred until such time as the Board may consider the financial condition of your bank and of The Watsessing Bank in the light of changes contemplated in the agreement referred to. It should be understood 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."

Approved.

Reply to a letter dated December 15, 1933, from Mr. Hoxton, Federal Reserve Agent at Richmond; the reply reading as follows:

"Receipt is acknowledged of your letter of December 15, 1933,

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"inclosing the application of G. B. Bradford, Receiver for 'The Bank of Hampton', Hampton, Virginia, for a permit to vote certain shares of stock of 'The First National Bank of Hampton', Virginia, together with the recommendation of your Executive Committee that such application be granted.

"It appears from your letter that The Bank of Hampton owned 229 shares of the 500 shares of stock outstanding of the First National Bank of Hampton which is now in the hands of a receiver, and that the receiver of The Bank of Hampton now desires to obtain a voting permit in order that he may vote at a meeting of the stockholders of the First National Bank of Hampton to be held for the purpose of placing the last named bank in liquidation.

"In view of the fact that the control of the stock in question is vested in the receiver of The Bank of Hampton subject to the order of the court by which he was appointed and that the receiver holds such stock as assignee of the bank, it would appear that such stock is not now owned or controlled by The Bank of Hampton within the purview of the Banking Act of 1933. Accordingly, it will not be necessary for the receiver of The Bank of Hampton to obtain a voting permit in the present case, and you are requested to advise him of the conclusion reached herein."

Approved.

Telegram dated December 23, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by five members of the Board, stating that the Board revokes its approval granted on December 20, 1933, of the application of The Crestwood National Bank in Tuckahoe, New York, for Federal reserve bank stock and approves an amended application filed by the national bank under date of December 18, 1933, for 36 shares of stock of the Federal Reserve Bank of New York.

Approved.

Letter dated December 23, 1933, to Mr. Newton, Federal Reserve Agent at San Francisco, approved by four members of the Board, reading as follows:

"On the assumption that your counsel has satisfied himself that the First Security Bank of Idaho, Boise, Idaho, is now the owner in its own right of the 375 shares of Federal reserve bank stock,

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"referred to in the bank's application for additional stock as having been allotted heretofore, the Board approves the bank's application for 525 additional shares of the stock of the Federal Reserve Bank of San Francisco."

Approved.

Letter dated December 23, 1933, to Mr. Paulger, Chief of the Division of Examinations, approved by four members of the Board, reading as follows:

"Section 5240 of the United States Revised Statutes, as amended, provides in part that the Federal Reserve Board shall, at least once each year, order an examination of each Federal reserve bank.

"In accordance with this requirement of the law, the Federal Reserve Board orders that an examination of each of the twelve Federal reserve banks be undertaken during the year 1934, and the Board authorizes and directs you to institute and conduct such examinations at such time or times as may seem advisable in your judgment."

Approved.

Telegraphic reply on December 23, 1933, approved by five members of the Board, to a letter dated December 18 from Mr. Walsh, Federal Reserve Agent at Dallas; the reply reading as follows:

"Referring your December 18 letter, Board's telegram of December 12 intended to require State bank members to include payments to Temporary Federal Deposit Insurance Fund in 'other assets' and in Schedule M of form 105 provided such payments are carried as assets on banks' books. Banks should use their own discretion as to whether they should carry such payments as an asset or charge them off. If charged off amount should be shown separately under item 2 of earnings and dividends report, form 107, and it is suggested that you so advise State bank members making inquiry in regard thereto."

Approved.

Telegram dated December 23, 1933, to the governors of all Federal reserve banks, approved by four members of the Board, reading as follows:

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"Semi-annual reports of banks borrowing 80 percent or more of the time, Form B-14, may be suspended until further notice."

Approved.

Memorandum dated December 19, 1933, from Mr. Smead, Chief of the Division of Bank Operations, submitting a draft of a proposed letter to the Federal reserve agents at all Federal reserve agents transmitting blank forms to be used by State member banks and their affiliates in rendering reports as of the next call. The memorandum stated that the forms are unchanged from those used at the time of the October 25 call, and that, in addition to the usual instructions, the proposed letter requests, (1) that State bank members be instructed to include payments made to the Temporary Federal Deposit Insurance Fund in "Other assets", item 13 on the face of the condition report, form 105, and to show the amount thereof separately in Schedule M as "Payment to Temporary Federal Deposit Insurance Fund", (2) that State bank members be instructed to include capital notes or debentures sold to the Reconstruction Finance Corporation in "Capital account", item 28 on the face of form 105, and to show them separately against the caption "Capital notes" or "Capital debentures", as the case may be, immediately after the sub-item "Common stock", and (3) that the Federal reserve agents obtain and furnish the Board lists showing, as of the date of the last calls made by State authorities, the name, location, and total deposits of every banking institution operating under State supervision.

The proposed letter was approved.

Reply on December 23, 1933, approved by five members of the Board, to a letter dated October 20 from Mr. N. A. Davis, Vice President

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of The Baker-Boyer National Bank, Walla Walla, Washington; the reply reading as follows:

"Your letter of October 20, 1933, addressed to the Attorney General of the United States, regarding the payment of time deposits before maturity, has been referred to the Federal Reserve Board for reply.

"You inclose a sample copy of the time certificates of deposit issued by your bank prior to the enactment of the Banking Act of 1933. Although such certificates are, by their terms, payable 'six or twelve months after date', you state that it has been your custom to pay such certificates upon presentation. You further state that if presented before six months from the date of issue, you paid no interest; if presented between six and twelve months from the date of issue, you paid six months' interest thereon; and if presented after twelve months from the date of issue, you paid twelve months' interest on the deposit. In view of the fact that many of these certificates remain outstanding, you request to be advised whether you may continue to pay such certificates in accordance with your former practice.

"From an examination of the certificate inclosed by you, it would appear that, notwithstanding the clause 'The right is reserved to require 30 days' notice of withdrawal', if the certificate is not paid at the expiration of six months from the date of issuance, it would automatically be renewed in accordance with its terms for an additional six months period. As you know, under the law no member bank may pay any time deposit before its maturity and, accordingly, a certificate such as you inclose may not lawfully be paid before the expiration of six months from the date of its issuance, or, if not paid at the expiration of such six months, before the expiration of twelve months from the date of the issuance of the certificate, even though the certificate was issued prior to the enactment of the Banking Act of 1933 and even though no interest is paid thereon.

"You state further that on March 23, 1933, you issued to Whitman College a certificate of deposit of the character above-mentioned, and that such certificate was immediately turned over to your bank as collateral security for notes of the College held by the bank. You wish to be advised whether you may now cancel the certificate and credit the amount thereof on the notes of the College held by you, although more than six months has elapsed since the date of issuance of such certificate of deposit. It does not appear that the circumstances of this case are such as to make inapplicable the principles above stated; and the Board is of the opinion that the act of your bank in canceling the certificate and crediting the amount thereof on the notes of the College held by it would amount to a payment of such certificate before maturity in violation of Section 19 of the Federal Reserve Act and Section IV of the

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"Board's Regulation Q.

"For your further information in this matter, a copy of Regulation Q is inclosed herewith."

Approved.

Reply on December 23, 1933, approved by five members of the Board, to a letter dated December 13 from Mr. Clarence W. Crysler, Cashier of the People's Bank of Evans Mills, New York; the reply reading as follows:

"Receipt is acknowledged of your letter of December 13, 1933, requesting to be advised whether it will be necessary for Mr. E. J. Walrath, president of your bank, to relinquish any of the directorships now held by him in the Farmers and Traders Life Insurance Company of Syracuse, New York, and the Grange Mutual Liability Insurance Company of Keene, New Hampshire. You state that your bank is now an applicant for membership in the Federal Reserve System.

"Section 8A of the Clayton Antitrust Act as amended prohibits an officer, director, or employee of a national bank from serving after January 1, 1934, as an officer, director, or employee of any corporation (other than a mutual savings bank) which shall make loans secured by stock or bond collateral other than to its own subsidiaries. This section is applicable only to a banking association or trust company 'organized or operating under the laws of the United States', and does not apply to a State member bank. Accordingly, it will not be necessary for Mr. Walrath to relinquish any of the directorships above mentioned, even though your bank is admitted to membership in the Federal Reserve System.

"For any further information which you may desire in this matter, it is suggested that you communicate with the Federal Reserve Agent at the Federal Reserve Bank of New York."

Approved.

Letter dated December 23, 1933, to Mr. James T. McMillan, Detroit, Michigan, approved by four members of the Board, reading as follows:

"There is inclosed a permit issued by the Federal Reserve Board under authority of Section 8 of the Clayton Act, approved October 15, 1914, as amended, covering your service as director of the National Bank of Detroit, Detroit, Michigan, and as director of the

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"Detroit Savings Bank, Detroit, Michigan.

"Your attention is called to the fact that any permit issued by the Board under authority of Section 8 of the Clayton Act may be revoked by the Board whenever it finds, after reasonable notice and opportunity to be heard, that the public interest requires its revocation.

"The Board is granting the permit in this case because it appears that, in view of the existing banking situation in Detroit, your service on the boards of directors of the two institutions involved is in the public interest. However, inasmuch as the National Bank of Detroit and the Detroit Savings Bank are in substantial competition with each other for practically all kinds of business conducted by them, the inclosed permit is being issued with the understanding on the part of the Federal Reserve Board that as soon as the existing emergency situation is passed and you are able to resign as a director of one of the institutions without injury to the interests of the banks, their depositors, or the community, such action will be taken by you.

"A copy of this letter is being sent to each of the banks involved for its information and records."

Approved.

Letters dated December 23, 1933, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. C. K. McIntosh, for permission to serve at the same time as officer and director of The Bank of California National Association, San Francisco, California, and as director of the Federal Reserve Bank of San Francisco, San Francisco, California.

Mr. J. C. Ainsworth, for permission to serve at the same time as director and officer of The United States National Bank of Portland, Portland, Oregon, as director and officer of the Clark County National Bank, Vancouver, Washington, and as director of the Portland branch, Federal Reserve Bank of San Francisco, Portland, Oregon.

Approved.

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

Mr. Lloyd W. Smith, for permission to serve at the same time as director and officer of The Union National Bank of Pittsburgh,

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Pittsburgh, Pennsylvania, and as director of the Pittsburgh branch, Federal Reserve Bank of Cleveland, Pittsburgh, Pennsylvania.

Mr. J. C. Braswell, for permission to serve at the same time as director of the Federal Reserve Bank of Richmond, Richmond, Virginia, as director and officer of The Planters Bank, Battleboro, North Carolina, and as director and officer of the Planters National Bank and Trust Company, Rocky Mount, North Carolina.

Mr. Robert Gage, for permission to serve at the same time as director of the Charlotte branch, Federal Reserve Bank of Richmond, Charlotte, North Carolina, and as officer and director of The Commercial Bank, Chester, South Carolina.

Mr. Louis S. Zimmerman, for permission to serve at the same time as director and officer of the Maryland Trust Company, Baltimore, Maryland, and as director of the Baltimore branch, Federal Reserve Bank of Richmond, Baltimore, Maryland.

Mr. Ryburn G. Clay, for permission to serve at the same time as officer and director of The Fulton National Bank, Atlanta, Georgia, and as director of the Federal Reserve Bank of Atlanta, Atlanta, Georgia.

Mr. Jno. W. Alderson, for permission to serve at the same time as director of the Memphis branch, Federal Reserve Bank of St. Louis, Memphis, Tennessee, and as director and officer of the National Bank of Eastern Arkansas, Forrest City, Arkansas.

Mr. W. A. Hicks, for permission to serve at the same time as director of the Little Rock branch, Federal Reserve Bank of St. Louis, Little Rock, Arkansas, and as director and officer of the Peoples Bank, Little Rock, Arkansas.

Mr. Stuart Wilson, for permission to serve at the same time as director and officer of the State National Bank, Texarkana, Arkansas, and as director of the Little Rock branch, Federal Reserve Bank of St. Louis, Little Rock, Arkansas.

Mr. A. H. Marble, for permission to serve at the same time as officer and director of The Stock Growers National Bank, Cheyenne, Wyoming, as officer and director of The Montana National Bank, Billings, Montana, and as director of the Omaha branch, Federal Reserve Bank of Kansas City, Omaha, Nebraska.

Mr. M. A. Arnold, for permission to serve at the same time as director of the Seattle branch, Federal Reserve Bank of San Francisco, Seattle, Washington, and as director and officer of the First

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National Bank of Seattle, Seattle, Washington.

Mr. R. M. Hardy, for permission to serve at the same time as director of the Spokane branch, Federal Reserve Bank of San Francisco, Spokane, Washington, as director and officer of the Yakima First National Bank, Yakima, Washington, and as director and officer of the First National Bank of Wapato, Wapato, Washington.

Mr. H. E. Hemingway, for permission to serve at the same time as director of the Salt Lake City branch, Federal Reserve Bank of San Francisco, Salt Lake City, Utah, as officer and director of the Commercial Security Bank, Ogden, Utah, and as officer and director of the Idaho Bank and Trust Company, Pocatello, Idaho.

Mr. M. W. Smith, for permission to serve at the same time as director of the American National Bank, Idaho Falls, Idaho, and as a director of the Salt Lake City branch, Federal Reserve Bank of San Francisco, Salt Lake City, Utah.

Approved.

There were then presented the following applications for original stock of Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
Central National Bank at Cambridge, Cambridge, Ohio	90	
Mansfield Savings Bank and Trust Company, Mansfield, Ohio	630	
Peoples National Bank of Rural Valley, Rural Valley, Pennsylvania	36	756
<u>District No. 11.</u>		
First National Bank, Lubbock, Texas	132	
First National Bank in Luling, Texas	60	192
	<u>Total</u>	<u>948</u>

Approved.

Thereupon the meeting adjourned.

Robert Merrill
Secretary.

Approved:

Mrs. Sprague
Chairman, Executive Committee.