

A meeting of the Federal Reserve Board was held in Washington on Wednesday, December 27, 1933, at 12:30 p. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary
Mr. Paulger, Chief of the Division of
Examinations
Mr. Chamberlin, Federal Reserve Examiner

There was presented a memorandum dated December 23, 1933, from the Comptroller of the Currency recommending that the application of "The Chase National Bank of the City of New York", New York, New York, for permission to reduce its common capital stock from \$148,000,000 to \$100,270,000 be approved, subject to the following conditions set forth in the concluding paragraph of the memorandum: "provided, no part of the released capital of \$47,730,000 is returned to shareholders but is directly used as a credit to eliminate that amount of the least desirable assets in the bank; and allocated to specific items, which assets, however, are to remain the property of the bank as part of its capital funds, and are in no way to be returned to shareholders; provided, there is transferred from the undivided profits account and/or surplus fund to a reserve for depreciation and loss account such amounts as will be necessary to have such reserve for depreciation and loss account at least equal the amount of doubtful, depreciated, and worthless values, if any, remaining in the bank's assets after the application of the above-mentioned \$47,730,000 of released capital; provided, in

12/27/33

- 2 -

"published reports of condition and in reports of condition to the Comptroller of the Currency, the bank deducts the amount of the reserve for depreciation and loss account which is represented by doubtful or depreciated values in its assets from the asset account containing the substandard assets for which such reserves were created, and reports such asset accounts net, i.e., the then present book value of such asset accounts less the amounts in the reserve account thereagainst; and provided, that before such reduction in capital shall have become effective, the bank's capital shall have been increased by the sale and issuance of \$50,000,000 of preferred stock to the Reconstruction Finance Corporation and/or others." There was also presented a memorandum dated December 27, 1933, from the Division of Examinations recommending that the application be approved.

Mr. Paulger stated that it would appear from the information contained in the Comptroller's memorandum that, with the corrections which were made following the last examination of the bank on February 24, 1933, and the improvement in conditions which has taken place since that examination, the released capital funds would be sufficient to eliminate any remaining estimated losses and security depreciation and a large part of doubtful assets.

Mr. James stated that he questioned whether there is provision under the plan for a sufficient amount of preferred stock to effect a satisfactory improvement in the condition of the bank. At the suggestion of the Comptroller of the Currency, Mr. F. G. Awalt, Deputy Comptroller of the Currency, Mr. Wm. P. Folger, Chief National Bank Examiner, and Mr. R. M. Hodgson,

12/27/33

- 3 -

Assistant Chief National Bank Examiner, of the Comptroller's office, entered the room, and the question raised by Mr. James was discussed briefly with them, Mr. Folger stating that on the basis of an examination of The Chase National Bank made by the New York Clearing House Association very recently, a copy of which had been shown to members of the staff of the Comptroller's office by Mr. Aldrich, Chairman of the bank, when he was in Washington in connection with the proposed reduction in stock, the amount of the proposed reduction in the common capital stock of the bank would be more than sufficient to take care of estimated losses and depreciation.

During the discussion Mr. Miller left the room and at the conclusion thereof, Messrs. Awalt, Folger and Hodgson withdrew from the meeting.

The Secretary was requested to advise the Comptroller of the Currency that, in accordance with his recommendation, the Federal Reserve Board approves the proposed reduction in the common capital stock of The Chase National Bank of the City of New York, New York, New York, pursuant to the plan referred to in his memorandum of December 23, and subject to compliance with the conditions set forth in the concluding paragraph of the memorandum.

There was then presented a letter dated December 27, 1933, from the Comptroller of the Currency referring to the Board's letter of December 23, in which the Comptroller was advised that the three employees who had been carried on the pay roll of the Federal Reserve Board as money counters in the Federal Reserve Issue and Redemption Division and were assigned to the Issue Division of the Comptroller's office would be removed from the pay roll of the Board as of the close of business on December 31, 1933, and which requested that the two money counters temporarily assigned to the Issue Division of the Comptroller's office be returned to the Federal

12/27/33

- 4 -

Reserve Issue and Redemption Division on January 2, 1934. The Comptroller's letter stated that the latter two employees will be returned to the Federal Reserve Issue and Redemption Division in accordance with the Board's letter, and requested that, for the reasons stated in his letter, the present arrangement with regard to the other three employees be continued until an opportunity is afforded to obtain an appropriation from Congress to take care of the situation.

Upon motion by Mr. James, and with the acquiescence of Mr. O'Connor, it was voted to retain Miss Janet Olyphant, Mrs. Mary White and Mrs. Irma Smoot on the pay roll of the Board in the Federal Reserve Issue and Redemption Division until not later than the close of business on March 31, 1934, with the understanding that in the meantime the Comptroller will make arrangements to carry the three employees on his own pay roll.

The Board then considered and acted on the following matters:

Telegram to Mr. Curtiss, Federal Reserve Agent at Boston, stating that, subject to the conditions prescribed in the telegram, the Board approves the application of the "Hadley Falls Trust Company", Holyoke, Massachusetts, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Boston.

Approved.

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

"Referring Dillistin's telegram December 26, 1933, regarding Mount Vernon Trust Company, Mount Vernon, New York, Board grants extension of time to January 27, 1934, within which bank may comply with conditions of membership."

Approved.

12/27/33

- 5 -

Telegraphic reply to a telegram dated December 26, 1933, from Mr. Peyton, Federal Reserve Agent at Minneapolis; the reply reading as follows:

"Retel twenty-sixth Board extends until January twenty-sixth time within which State Bank of Belle Plaine, Belle Plaine, Minnesota, may accomplish membership."

Approved.

Telegraphic reply to a telegram dated December 23, 1933, from Mr. Walsh, Federal Reserve Agent at Dallas; the reply reading as follows:

"Your wire December 23, Citizens State Bank & Trust Company, Goose Creek, Texas. Board approves application for fifteen shares of additional stock."

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 Stillwater', Stillwater, Oklahoma, from \$125,000 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 shall be used to eliminate an equal amount of sub-standard assets, 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 American National Bank of Klamath Falls', Klamath Falls, Oregon, from \$200,000 to \$62,500, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of \$62,500 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock shall be used, together with a portion of the

12/27/33

- 6 -

"bank's surplus or undivided profits, to eliminate substandard assets in the amount of approximately \$140,000, all as set forth in your letter of December 18, 1933."

Approved.

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

"Receipt is acknowledged of your memorandum of December 18, 1933, with reference to Mr. Awalt's memorandum of November 22, 1933, recommending a reduction of \$25,000 in the common capital of 'The First National Bank of Watervliet', Watervliet, Michigan.

"In accordance with your recommendation, the Board agrees that the requirement for a contribution of \$22,300 from the shareholders, which was a part of the plan upon which the Board's approval dated December 7, 1933, was based, be amended to provide for the elimination of only \$10,000 of doubtful assets through purchase by the shareholders, all other provisions of the plan as set forth in the memoranda of November 22 and December 18, 1933, respectively, to remain unchanged."

Approved.

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

"Receipt is acknowledged of your memorandum of December 19, 1933, with reference to the Board's letter of November 10, 1933, approving a reduction in the common capital of The Security National Bank of Arkansas City, Arkansas City, Kansas, subject to certain conditions as set forth in Mr. Awalt's memorandum of October 20, 1933.

"You advise that the absorption of the Union State Bank of Arkansas City by The Security National Bank of Arkansas City has been abandoned, which renders invalid the third condition set forth in the Board's letter of November 10, 1933, relating to a liquidation loan to be made by the R. F. C. for the purpose of effecting the proposed absorption.

"In accordance with your recommendation, the Board amends its letter of November 10, 1933, by eliminating the condition numbered 3, with the understanding that the other provisions of the plan remain unchanged."

Approved.

Telegram to Mr. Hoxton, Federal Reserve Agent at Richmond, stating

12/27/33

- 7 -

that the Board has considered the application of the "Bedford Corporation", Charleston, West Virginia, 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 Kanawha Valley Bank", Charleston, West Virginia, and has authorized the issuance of a limited permit to the applicant for the following purposes:

"To elect directors of such bank at the annual meeting of shareholders at any time prior to April 1, 1934, and to act at such meeting upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank."

Approved.

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

"The Board has considered the application for a voting permit under authority of Section 5144 of the Revised Statutes of the United States, as amended, entitling 'Georgia Rail Road and Banking Company', Augusta, Georgia, to vote the stock which it owns or controls of the 'Georgia Railroad Bank and Trust Company', Augusta, Georgia, and approves the application as filed subject to the following condition:

"Prior to the issuance of such voting permit Georgia Railroad Bank and Trust Company shall satisfy you that none of its loans exceeds the limits prescribed by the laws of the State of Georgia.

"This condition is prescribed because the Board is not fully informed as to the terms and status of a repurchase agreement with the First National Bank of Atlanta, under which Georgia Railroad Bank and Trust Company may be liable to repurchase warrants of Richmond County, Georgia, which warrants, together with those Georgia Railroad Bank and Trust Company now owns, may be sufficient in amount and of such a character to constitute a violation of the State laws.

"You are authorized to issue the inclosed voting permit to the Georgia Rail Road and Banking Company when you are satisfied that it has complied with the condition set forth above and to date the permit as of the date of issuance.

"You are requested to advise the Board as soon as the permit is issued and to specify the date of its issuance. You are also requested to advise the proper State banking authority of the

12/27/33

- 8 -

"issuance of the permit and to furnish him with such other information with respect thereto as may be of interest to him."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at Minneapolis, stating that the Board has considered the application of the "Northwest Bancorporation", Minneapolis, Minnesota, 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:

- "Iowa-Des Moines National Bank & Trust Company", Des Moines, Iowa
- "The First National Bank of Mason City", Mason City, Iowa
- "The Third Northwestern National Bank of Minneapolis", Minneapolis, Minnesota
- "Midland National Bank and Trust Company of Minneapolis", Minneapolis, Minnesota
- "The Central National Bank of Minneapolis", Minneapolis, Minnesota
- "The First National Bank of Albert Lea", Albert Lea, Minnesota
- "First and American National Bank of Duluth", Duluth, Minnesota
- "The Security National Bank and Trust Company of Faribault", Faribault, Minnesota
- "The Northwestern National Bank of Litchfield", Litchfield, Minnesota
- "The National Citizens Bank of Mankato", Mankato, Minnesota
- "The First National Bank of Red Wing", Red Wing, Minnesota
- "The Empire National Bank of St. Paul", St. Paul, Minnesota
- "Stockyards National Bank of South St. Paul", South St. Paul, Minnesota
- "The First National Bank of Winona", Winona, Minnesota
- "The First National Bank of Dillon", Dillon, Montana
- "The Great Falls National Bank", Great Falls, Montana
- "The First National Bank of Kalispell", Kalispell, Montana
- "Union Bank and Trust Company", Helena, Montana
- "The First National Bank of Fairbury", Fairbury, Nebraska
- "The Hastings National Bank of Hastings", Hastings, Nebraska
- "Stockyards National Bank of South Omaha", South Omaha, Nebraska
- "The Dakota National Bank & Trust Company of Bismarck", Bismarck, North Dakota
- "The First National Bank and Trust Company of Fargo", Fargo, North Dakota
- "The Grafton National Bank", Grafton, North Dakota
- "First National Bank of Hillsboro", Hillsboro, North Dakota
- "The James River National Bank and Trust Company of Jamestown", Jamestown,
North Dakota
- "The First National Bank of Mandan", Mandan, North Dakota
- "The American National Bank and Trust Company of Valley City", Valley City,
North Dakota
- "The Citizens National Bank of Wahpeton", Wahpeton, North Dakota

12/27/33

- "The First National Bank of Aberdeen", Aberdeen, South Dakota
- "The First National Bank of Deadwood", Deadwood, South Dakota
- "The National Bank of Huron", Huron, South Dakota
- "The First National Bank of Lead", Lead, South Dakota
- "The Farmers and Merchants National Bank of Millbank", Millbank, South Dakota
- "The First National Bank of Mobridge", Mobridge, South Dakota
- "The First National Bank of Philip", Philip, South Dakota
- "The First National Bank of Rapid City", Rapid City, South Dakota
- "The Redfield National Bank", Redfield, South Dakota
- "The Security National Bank and Trust Company of Sioux Falls", Sioux Falls, South Dakota
- "The Commercial National Bank of Sturgis", Sturgis, South Dakota
- "The First Citizens National Bank", Watertown, South Dakota
- "The Security National Bank of Cheney", Cheney, Washington
- "The National Bank of La Crosse", La Crosse, Wisconsin

and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of such limited voting permit Northwest Bancorporation shall represent, undertake and agree that a certain schedule entitled 'Recapitulation -- Revised November 27, 1933' submitted by Northwest Bancorporation to supplement Exhibit K of its application for a voting permit (hereinafter in this agreement called the 'Schedule') shall be deemed to include the following provisions and that each of such provisions shall be fully observed:

"(1) Prior to or coincidentally with the proposed capital stock reduction of each of the banks listed in the said Schedule and having membership in the Federal Reserve System the capital stock of each of such banks shall be increased by the issuance of preferred stock in the amount indicated opposite the name of such bank in the Schedule.

"(2) Each of such banks shall eliminate from its assets undesirable items in the amounts respectively indicated in the Schedule.

"(3) No funds released through the proposed reduction in capital stock shall be returned to the respective shareholders of such banks but such funds shall be used to eliminate undesirable assets.

"(4) All assets eliminated shall remain the property of the respective banks.

"(5) After consummation of the plans proposed in the Schedule, each of such banks shall possess a capital structure, including common or common and preferred capital stock, surplus and/or profits and reserves in the amounts respectively indicated in the Schedule."

12/27/33

- 10 -

and for the following purposes:

"(1) To effect the recapitalization of the above named banks in accordance with certain representations made by Northwest Bancorporation in an agreement executed by it as a condition of the issuance of this permit and in substantial accordance with the Schedule entitled 'Recapitulation -- Revised November 27, 1933' submitted by Northwest Bancorporation to supplement Exhibit K of its application for a voting permit.

"(2) To elect directors of the above named banks at their annual meetings in January, 1934, and to conduct thereat such business of a routine nature as is ordinarily conducted at the respective annual meetings of such banks.

"(3) With respect to Midland National Bank and Trust Company of Minneapolis, Minneapolis, Minnesota and First and American National Bank of Duluth, Duluth, Minnesota, for the further purpose of amending the articles of association of each of such banks to provide for a change in the par value of its authorized capital stock to \$100 per share."

Approved.

In connection with the above telegram there was also presented a letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves the proposed reductions in the common capital stock of the forty-two national banks affiliated with the Northwest Bancorporation, a list of which is attached hereto, (the banks shown on the list are the same as the forty-two national banks shown in the telegram referred to above to Mr. Peyton, Federal Reserve Agent at Minneapolis, with regard to the issuance of a limited voting permit to the Northwest Bancorporation, Minneapolis, Minnesota.) pursuant to plans of rehabilitation which provide for an increase in the capital stock of the respective banks through the sale to the Reconstruction Finance Corporation of preferred stock and/or debentures and which also provide for the use of the released capital funds, together with funds available in the surplus, undivided profits and reserve accounts of each bank, in eliminating undesirable assets and/or establishing reserves, all as set forth in your memorandum of December 5, 1933 and the schedule revised November 27, 1933, attached thereto.

"In the case of the

Iowa-Des Moines National Bank and Trust Company,
Des Moines, Iowa
First National Bank, Albert Lea, Minnesota

12/27/33

- 11 -

"First National Bank and Trust Company, Fargo, North
Dakota

First National Bank, Hillsboro, North Dakota

First National Bank, Mandan, North Dakota

First National Bank, Aberdeen, South Dakota

First National Bank, Lead, South Dakota

Security National Bank and Trust Company, Sioux Falls,
South Dakota,

it is noted that there will remain in such banks depreciation in securities and/or losses sufficient to impair or entirely eliminate the common capital stock of each bank. It is assumed, however, that you have these conditions in mind and that, whenever it becomes possible to do so, you will obtain such further corrections as may be practicable."

Approved.

There was also presented a letter to Mr. Peyton, Federal Reserve Agent at Minneapolis, reading as follows:

"Reference is made to the application dated September 21, 1933 and subsequently amended, of the Northwest Bancorporation, Minneapolis, Minnesota, for a voting permit wherein, among other things, there is proposed a reduction in common capital stock of the "Union Bank and Trust Company", Helena, Montana, from \$250,000 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 preferred stock or capital debentures to the Reconstruction Finance Corporation and that the funds released by the reduction in common capital stock and funds from the bank's surplus, undivided profits and/or reserves shall be used for the elimination of \$225,000 of assets or the establishment of reserves therefor.

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

Approved.

12/27/33

-12-

Telegram to Mr. Peyton, Federal Reserve Agent at Minneapolis, stating that the Board has considered the application of the "Northwest Bancorporation", Minneapolis, Minnesota, 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 banking institutions:

- "The First National Bank of Denison", Denison, Iowa
- "The Live Stock National Bank of Sioux City", Sioux City, Iowa
- "The Fourth Northwestern National Bank of Minneapolis"; Minneapolis, Minnesota
- "The Fifth Northwestern National Bank of Minneapolis", Minneapolis, Minnesota
- "The First National Bank of Appleton", Appleton, Minnesota
- "The First National Bank of Belle Plaine", Belle Plaine, Minnesota
- "The Northwestern National Bank of Dawson", Dawson, Minnesota
- "The First National Bank of Farmington", Farmington, Minnesota
- "The Fergus Falls National Bank and Trust Company", Fergus Falls, Minnesota
- "The Hastings National Bank", Hastings, Minnesota
- "The First National Bank of Hawley", Hawley, Minnesota
- "Security National Bank of Hopkins", Hopkins, Minnesota
- "The First National Bank of Jordan", Jordan, Minnesota
- "The First National Bank of Marshall", Marshall, Minnesota
- "The First National Bank of Montgomery", Montgomery, Minnesota
- "The First National Bank in Moorhead", Moorhead, Minnesota
- "The First National Bank of New Prague", New Prague, Minnesota
- "The First National Bank in Two Harbors", Two Harbors, Minnesota
- "The First National Bank of Waterville", Waterville, Minnesota
- "Daly Bank and Trust Company of Anaconda", Anaconda, Montana
- "The Continental National Bank of Harlowton", Harlowton, Montana
- "The Continental National Bank of Lincoln", Lincoln, Nebraska
- "The United States National Bank of Omaha", Omaha, Nebraska
- "The First National Bank in Minot", Minot, North Dakota
- "The First National Bank of Napoleon", Napoleon, North Dakota
- "The First National Bank of Britton", Britton, South Dakota
- "The First National Bank and Trust Company of Chamberlain", Chamberlain, South Dakota
- "New First National Bank in Dell Rapids", Dell Rapids, South Dakota
- "The First National Bank of Groton", Groton, South Dakota
- "The Northwestern National Bank of Madison", Madison, South Dakota
- "The First National Bank of Baldwin", Baldwin, Wisconsin
- "The First National Bank of Grantsburg", Grantsburg, Wisconsin
- "The First National Bank of New Richmond", New Richmond, Wisconsin

12/27/33

- "The First National Bank of Prescott", Prescott, Wisconsin
- "The First National Bank of Carson", Carson, North Dakota
- "The First National Bank of Garrison", Garrison, North Dakota
- "The First National Bank of Knapp", Knapp, Wisconsin
- "The North Western National Bank of Minneapolis", Minneapolis, Minnesota

and has authorized the issuance of a limited permit to the applicant,

subject to the following condition:

"Prior to the issuance of such limited voting permit Northwest Bancorporation shall represent, undertake and agree that a certain schedule entitled 'Recapitulation -- Revised November 27, 1933' submitted by Northwest Bancorporation to supplement Exhibit K of its application for a voting permit (hereinafter in this agreement called the 'Schedule') shall be deemed to include the following provisions and that each of such provisions shall be fully observed:

"(1) Each of the thirty-four member banks listed in the Schedule and with respect to which the Schedule indicates a proposed issue of preferred stock and/or capital debentures but no reduction of common stock, shall eliminate from its assets undesirable assets in the amounts respectively indicated in the Schedule or shall establish reserves therefor.

"(2) All assets eliminated by each such bank shall remain the property of the bank and shall not be distributed to stockholders or otherwise released."

and for the following purposes:

"(1) To elect directors of the above named banks at their annual meetings in January, 1934, and to conduct thereat such business of a routine nature as is ordinarily conducted at the respective annual meetings of such banks.

"(2) Except with respect to the four banks last above named, to effect the recapitalization of the above named banks in accordance with certain representations made by Northwest Bancorporation in an agreement executed by it as a condition of the issuance of this permit and in substantial accordance with the Schedule entitled 'Recapitulation -- Revised November 27, 1933', submitted by Northwest Bancorporation to supplement Exhibit K of its application for a voting permit".

Approved.

12/27/33

- 14 -

Telegram to Mr. Peyton, Federal Reserve Agent at Minneapolis, stating that the Board has considered the application of the "Northwest Bancorporation", Minneapolis, Minnesota, 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 North Western National Bank of Minneapolis", Minneapolis, Minnesota, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of the limited voting permit afore-said Northwest Bancorporation shall represent, undertake and agree that: (1) The institution resulting from the merger of The North Western National Bank of Minneapolis, Minneapolis, Minnesota and The Minnesota Loan and Trust Company, Minneapolis, Minnesota shall have upon such merger or within such time thereafter as is satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, capital stock in the amount of not less than \$10,000,000 and surplus in the amount of not less than \$1,000,000 after making eliminations and/or setting up reserves in the amount of approximately \$2,700,000. (2) There will be established a reserve of \$250,000 for the so-called 'Kelly case' liabilities incurred by The Minnesota Loan and Trust Company. (3) None of the assets of either constituent bank will under the merger be distributed or transferred to the stockholders of either bank or to the stockholders of the institution resulting from the merger as a dividend or without adequate consideration except that prior to the effective date of the merger The Minnesota Loan and Trust Company may distribute by way of a dividend in kind to its shareholders or otherwise transfer approximately 200 parcels of real estate which as set forth in a letter of Northwest Bancorporation to the Federal Reserve Board under date of November 29, 1933, represent a cost of approximately \$750,000 and are not now carried as assets on the books of The Minnesota Loan and Trust Company."

and for the following purpose:

"In order to ratify and confirm an agreement of merger or consolidation between The North Western National Bank of Minneapolis and The Minnesota Loan and Trust Company, Minneapolis, Minnesota, as heretofore submitted to the Comptroller of the Currency and approved by his office."

12/27/33

- 15 -

The telegram also requested that there be returned to the Board the un-issued limited voting permit dated October 25, 1933, sent to the agent with the Board's letter of that date.

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at Minneapolis, stating that the Board has considered the application of the "Northwest Bancorporation", Minneapolis, Minnesota, 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 "Spokane and Eastern Trust Company", Spokane, Washington, and "The Security National Bank of Cheney", Cheney, Washington, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of such limited permit, Northwest Bancorporation shall represent, undertake and agree as follows:

"(1) (a) Prior to its absorption by the Spokane and Eastern Trust Company, The Security National Bank of Cheney shall eliminate all assets classified as questionable and unacceptable aggregating \$78,696.75 as established by an examiner for the State Banking Department of the State of Washington as of July 15, 1933. (b) The Spokane and Eastern Trust Company shall assume the full deposit liability of The Security National Bank of Cheney and shall purchase a sufficient amount of acceptable assets of such bank to offset the liability assumed or shall provide for any deficit in such assets in a manner satisfactory to the Supervisor of Banking of the State of Washington and to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco. The representations and agreements in (1) above shall be deemed to constitute provisions of the plan for the absorption of The Security National Bank of Cheney by the Spokane and Eastern Trust Company and the establishment of a branch of the Trust Company at Cheney as such plan

12/27/33

- 16 -

"was submitted to the Federal Reserve Board prior to the issuance of the limited voting permit aforesaid.

"(2) The Spokane and Eastern Trust Company will (a) issue and sell at par capital debentures in the amount of not less than \$750,000; (b) reduce its present common capital stock from \$1,000,000 to \$500,000; (c) provide that none of the funds released through such reduction in capital stock shall be returned to shareholders but that such funds shall be used to eliminate undesirable assets; (d) eliminate from its assets not less than \$720,000 of undesirable assets to be selected under the direction of the Supervisor of Banking of the State of Washington and with the approval of the Federal Reserve Agent at the Federal Reserve Bank of San Francisco; (e) provide that all assets eliminated pursuant to the adjustment of its capital structure referred to above shall remain the property of Spokane and Eastern Trust Company; (f) possess upon the consummation of the foregoing, common capital stock, capital debentures, surplus, undivided profits and/or reserves in the amount of not less than \$1,400,000. The representations and agreements in (2) above shall be deemed to constitute provisions of the plan for the recapitalization of the Spokane and Eastern Trust Company as such plan was submitted to the Federal Reserve Board prior to the issuance of the limited voting permit aforesaid."

and for the following purposes:

"(1) To authorize the absorption of The Security National Bank of Cheney by the Spokane and Eastern Trust Company and the establishment of a branch of the Spokane and Eastern Trust Company at Cheney all in accordance with the plan heretofore submitted to the Federal Reserve Board.

"(2) To authorize the liquidation of The Security National Bank of Cheney after the consummation of the plan for its absorption by the Spokane and Eastern Trust Company heretofore submitted to the Federal Reserve Board;

"(3) To elect directors at the annual meetings of such banks in January 1934 and to conduct thereat such business of a routine nature as is ordinarily acted upon at the respective annual meetings of such banks;

"(4) To authorize a reduction of \$500,000 in the present common capital stock of the Spokane and Eastern Trust Company and the issue and sale to the RFC of its capital debentures in an amount of not less than \$750,000 in accordance with the plan for the recapitalization of that bank heretofore submitted to the Federal Reserve Board."

12/27/33

Approved, together with a letter to the Federal Reserve Agent at San Francisco, reading as follows:

"Reference is made to your letter of October 18, 1933, recommending approval of the proposed absorption of 'The Security National Bank of Cheney', Cheney, Washington, by the 'Spokane and Eastern Trust Company', Spokane, Washington, a member bank.

"The Board has reviewed the report of examination of the Spokane and Eastern Trust Company made by a State bank examiner as of May 1, 1933; information submitted with your letters dated August 3, 1933, and August 21, 1933, information submitted in connection with an application of the Northwest Bancorporation, Minneapolis, Minnesota, for a voting permit, and other data relative thereto, with particular reference to the general condition under which Spokane and Eastern Trust Company was admitted to membership in the Federal Reserve System wherein it is provided that certain changes in the general character of its assets or broadening of its functions should not be made without the approval of the Board. The Board will interpose no objection to the proposed absorption of The Security National Bank of Cheney by the Spokane and Eastern Trust Company or to the establishment of a branch of the trust company at Cheney in accordance with the plan heretofore submitted to the Board.

"The Board has referred the matter to the Comptroller of the Currency and will advise you as soon as it is notified whether or not he approves of the establishment and operation of the branch in question.

"In reviewing the information submitted, it is noted that a recapitalization of the Spokane and Eastern Trust Company is contemplated involving a reduction of \$500,000 in the common capital stock of the bank, the sale of \$750,000 of capital debentures to the Reconstruction Finance Corporation and the elimination of assets and/or the establishment of reserves aggregating \$720,000.

"As the Board has not been furnished with a copy of any agreement under which the absorption of The Security National Bank of Cheney and establishment of the branch referred to above are to be effected, your counsel should procure copies of all relevant agreements which may be made and satisfy himself that they are legally effective and that they do not contain any material provisions which are inconsistent with the plan as submitted to the Board."

12/27/33

- 18 -

The following letter to the Comptroller of the Currency was also approved:

"There is transmitted herewith for your consideration an application of the Spokane and Eastern Trust Company, Spokane, Washington, for permission to absorb The Security National Bank of Cheney, Cheney, Washington, and establish a branch in the same location.

"The Northwest Bancorporation, Minneapolis, Minnesota, owns and controls these banking institutions, both of which are members of the Federal Reserve System. It is proposed that the Spokane and Eastern Trust Company will assume the full deposit liability of The Security National Bank of Cheney, taking over a sufficient amount of assets of that institution to offset the liabilities assumed, and will thereafter operate a branch at Cheney which branch will exercise complete and general banking functions.

"It is proposed that the absorption and establishment of a branch will be consummated in accordance with the provisions of the national banking laws and 'the amended banking law or code of the State of Washington, passed by the last legislature.'

"The plan of the Northwest Bancorporation for strengthening the banking units under its control also contemplates the recapitalization of the Spokane and Eastern Trust Company, Spokane, Washington, under a plan which provides for a reduction of \$500,000 in its common capital stock, the sale to the Reconstruction Finance Corporation of \$750,000 of capital debentures and the elimination of assets or establishment of reserves aggregating \$720,000.

"An examination of The Security National Bank of Cheney was made by the State Banking Department of the State of Washington preparatory to the proposed absorption and the attached files contain a summary of the examiner's report and an analysis prepared by an examiner for the Federal Reserve Bank of San Francisco of a report of examination of the Spokane and Eastern Trust Company made by the State Banking Department as of May 1, 1933.

"The Federal Reserve Agent and Executive Committee of the Federal Reserve Bank of San Francisco have recommended the proposed absorption and establishment of a branch subject to compliance with the conditions imposed by the State Banking Department which provide that all items classified as questionable and unacceptable must be eliminated.

"The Board is of the opinion that the establishment and operation of the proposed branch, at the place and in the manner indicated, is in accordance with the provisions of the Federal Reserve Act governing the establishment of branches by a State member bank, provided your approval thereof be given. It is understood that the proposed absorption and the establishment

12/27/33

- 19 -

"of the branch referred to have been approved by the State banking authorities. In view of such approval and the apparently satisfactory condition which will exist in the Spokane and Eastern Trust Company and the proposed branch if the plan under consideration and the proposed recapitalization are consummated, and the favorable recommendation of the Federal Reserve Agent and Executive Committee of the Federal Reserve Bank of San Francisco, the Federal Reserve Board recommends that the application of the Spokane and Eastern Trust Company for permission to establish a branch at Cheney, Washington, be approved, subject to compliance by the Spokane and Eastern Trust Company, Spokane, Washington, and The Security National Bank of Cheney, Cheney, Washington, with the applicable provisions of the laws of the United States and of the State of Washington, and with the conditions imposed by the State Banking Department of the State of Washington.

"In view of the emergency nature of the application it will be appreciated if you will advise the Board at your earliest convenience whether or not you approve of the establishment and operation of the branch referred to."

Memorandum dated December 21, 1933, from Mr. Vest, Assistant Counsel, submitting statements regarding a number of rulings made recently by the Federal Reserve Board interpreting the Banking Act of 1933 and also its correspondence with the Chairman of the Banking Code Committee of the American Bankers Association with respect to the analysis of depositors' accounts for the purpose of determining whether service charges should be assessed, and stating that these matters are believed to be of general interest, and that it is recommended that the statements and correspondence be published in the next issue of the Federal Reserve Bulletin.

Approved.

Telegram to the governors of all Federal Reserve banks, reading as follows:

"In reply to telegram from a Federal Reserve bank, Board has advised as follows: 'No charge to surplus should

"be made account subscription to Federal Deposit Insurance Corporation stock until bank is requested by Corporation to subscribe to such stock. When such subscription has been made amounts paid for such stock will be shown in published condition statements against caption "Fed. Dep. Ins. Corp. stock" immediately preceding item "All other assets" and subscription to such stock immediately following item "Surplus" as follows:
 "Subscription for Fed. Dep. Ins. Corp. stock: Paid _____, uncalled _____".

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
Metuchen National Bank, Metuchen, New Jersey	75	150
Andover National Bank, Andover, New York	<u>75</u>	
<u>District No. 3.</u>		
First National Bank in New Egypt, New Egypt, New Jersey.	38	38
<u>District No. 4.</u>		
Farmers National Bank of Conneautville, Conneautville, Pennsylvania	33	33
<u>District No. 11.</u>		
First National Bank in Canyon, Canyon, Texas	32	32
	<u>Total</u>	<u>253</u>

<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 2.</u>		
Central Hanover Bank & Trust Company, New York, New York. (Increase in capital through sale of capital notes in amount of \$5,000,000)	3,000	
Bank of New York & Trust Company, New York, New York. (Increase in capital through sale of capital notes in amount of \$1,000,000)	<u>600</u>	3,600
<u>District No. 6.</u>		
Birmingham Trust & Savings Company, Birmingham, Alabama. (Increase in capital, partly offset by decrease in surplus.)	180	180
	<u>Total</u>	<u>3,780</u>

12/27/33

- 21 -

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u> Brasher Falls National Bank, Brasher Falls, New York (Insolvent)	30	30
<u>District No. 3.</u> First National Bank, New Freedom, Pennsylvania (Being liquidated through conservator)	90	90
<u>District No. 4.</u> Central National Bank, Cambridge, Ohio (Being liquidated through conservator)	120	
Union National Bank, Fostoria, Ohio (Insolvent)	105	
Greenville National Bank, Greenville, Ohio (Being liquidated through conservator)	240	
The Paintsville National Bank, Paintsville, Kentucky (Voluntary liquidation, succeeded by First National Bank of Paintsville)	<u>240</u>	705
<u>District No. 7.</u> Farmers National Bank, Henderson, Iowa (Insolvent)	33	33
<u>District No. 8.</u> First National Bank, Tamaroa, Illinois (Insolvent)	36	36
<u>District No. 9.</u> First National Bank, Rock Lake, North Dakota (Insolvent)	23	
First National Bank, White Lake, South Dakota (Insolvent)	30	53
	<u>Total</u>	<u>947</u>

Approved.

Thereupon the meeting adjourned.

C. R. Morrell
Secretary.

Approved:

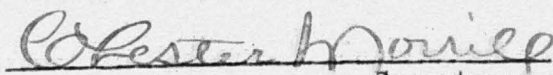
E. R. Black
Governor.

Secretary's Memorandum for the Minutes of December 27, 1933.

Information having been received that the boards of directors of all the Federal reserve banks were in session today for the purpose of discussing the matters referred to in the minutes of the meeting of the Board with representatives of the Federal reserve banks on December 22, and the consideration of these matters not having reached a conclusion in Washington, Governor Black sent the following telegram to the Governors of all Federal reserve banks:

"Please hold your board together tomorrow as matters I had hoped to submit this afternoon cannot be concluded today, and matter under discussion by your board should be decided tomorrow in light of matters pending here today."

There is attached hereto a memorandum dated December 27, 1933, addressed to Governor Black by Mr. Newton D. Baker and Mr. Walter Wyatt in regard to their conference with the Attorney General on December 27, at which were present also Mr. Oliphant, General Counsel of the Treasury Department, and Mr. Holtzoff, of the Department of Justice. In addition, there is attached a letter dated December 27 to Governor Black signed by Mr. Newton D. Baker in response to a request of the Board for categorical opinions upon three questions referred to therein.


Secretary.

December 27, 1933.

MEMORANDUM FOR GOVERNOR BLACK.

Pursuant to the arrangement made by you with Acting Secretary of the Treasury Morgenthau, the undersigned called on the Attorney General this afternoon and in his office conferred with the Attorney General, Mr. Oliphant, General Counsel of the Treasury Department, and Mr. Holtzhoff of the Department of Justice, with regard to the problem of transferring to the Government any profit which otherwise might accrue to the Federal reserve banks as a result of the devaluation of the dollar.

The entire situation was fully discussed and the following plan for a harmonious arrangement was suggested for submission to the Federal Reserve Board:

1. The Federal reserve banks and Federal reserve agents will deliver to the Treasury the title to all gold which they now have in their possession and in the possession of the Treasury Department in the Gold Redemption Fund, the Gold Settlement Fund and the Agents' Gold Fund and receive in return therefor an equal dollar amount of gold certificates.
2. Contemporaneously with the delivery of the gold, Federal reserve banks will hand to the Treasurer of the United States in writing a statement to the effect that they are doubtful of their right to deliver their gold to the Treasury Department in return for

- 2 -

gold certificates and they are doing so with the distinct understanding that all such gold will be earmarked by the Treasury Department for the sole purpose of redeeming such gold certificates and that title in the gold will revert to the Federal reserve banks and agents if this arrangement is not ratified by Congress.

3. The Treasurer will issue a receipt for the gold also recognizing and agreeing to the understanding under which it is delivered by the Federal reserve banks and agents and will undertake to earmark such gold and hold it in trust for the sole purpose of redeeming the gold certificates issued to the Federal reserve banks, with the understanding that the title to such gold will automatically revert to the Federal reserve banks and agents if this transaction is not ratified by Congress.

4. This status will be maintained until devaluation takes place.

5. If the Federal reserve banks then desire, their gold certificates will be redeemed in gold on the devalued basis and the Treasurer will continue to hold the remainder of the gold under earmark and with the understanding that the title thereto shall revert to the Federal reserve banks unless Congress ratifies the devaluation and the transfer of the profit to the Treasury and also provides the Federal reserve banks with adequate protection against any loss resulting from a future revaluation of the dollar.

- 3 -

6. The Administration will seek to obtain action by Congress ratifying the devaluation of the dollar and the transfer of the profit resulting therefrom from the Federal reserve banks to the Treasury and at the same time making adequate provision to protect Federal reserve banks against any loss which might result from any future increase of the amount of gold in the dollar.

7. Upon the enactment of such legislation, title to the gold in question will become absolute in the Treasury and the gold may be released from earmark and disposed of by the Treasury Department in any manner authorized by law. Such legislation should also ratify the undertaking of the Treasury Department to redeem all gold certificates held by the Federal reserve banks in gold at any time upon demand.

8. In the event of the next session of Congress adjourning without having taken action ratifying any devaluation of the dollar or the action of the Federal reserve banks in thus transferring title to their gold to the Federal Treasury, the title of the Government shall be defeated as by condition subsequent and all of the gold transferred to the Government shall be transferred to the Federal reserve banks.

We made no promises or commitments with respect to this plan except to submit it to the Federal Reserve Board for its consideration and that Mr. Wyatt would confer further with Mr. Oliphant with respect to the details of the plan.

The foregoing plan in our judgment may be entered into by the Federal reserve banks in view of the fact that it is a transaction

FRASER -4- HISTORICAL SOCIETY

with the Government of the United States and is in our opinion wiser than either a refusal of cooperation, coupled with a protest in the event of direct action by the Government, or an open contest with the Treasury Department, which in our judgment might prove inimical to the interests both of the public and of the Federal reserve banks.

Respectfully submitted,

Newton D. Baker

Newton D. Baker

Walter Wyatt

Walter Wyatt

FEDERAL RESERVE BOARD

WASHINGTON

PRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

December 27, 1933

Honorable Eugene R. Black, Governor,
Federal Reserve Board,
Washington, D. C.

My dear Governor Black:

Mr. Wyatt has transmitted to me the request of the Board that I express categorical opinions upon three questions. The questions and opinions are as follows:

1. Is the so-called Thomas Amendment constitutional? Any opinion upon this question not addressed to the validity of a particular action taken under the Thomas Amendment must necessarily be speculative. To the extent that the act is a declaration of policy by Congress and merely commits to the President the duty of determining the factual basis for the application of the policy, it would no doubt be held constitutional except, as in a particular case, it might be found to impair some guaranty or right contained in the Constitution apart from the mere delegation of legislative power to the Executive.

2. Is subsection (n) of Section 11 of the Federal Reserve Act as amended by the Act of March 9, 1933, constitutional? In view of the answer given to the third question, below, an opinion as to the general constitutionality of this subsection is unimportant.

3. Does subsection (n) of Section 11 of the Federal Reserve Act as amended by the Act of March 9, 1933, apply to Federal reserve banks?

Honorable Eugene R. Black - 2

I am definitely of the opinion that the Act does not apply to Federal reserve banks.

Subsection (n) of Section 11 of the Federal Reserve Act, as amended by the Act of March 9, 1933, is an amendment to the Federal Reserve Act included in Title I of an act "to provide relief in the existing national emergency in banking and for other purposes". Title I of this Act seeks to accomplish three purposes: (1) It ratifies anti-hoarding action taken by the President under the wartime Trading with the Enemy Act and extends the application of that Act to peacetime emergencies. (2) It amends the Federal Reserve Act by the addition of the section here under consideration. (3) It authorizes the President to impose restrictions of an emergency character upon banking operations.

The language of subsection (n) is to the effect that, when the Secretary of the Treasury shall have formed the judgment that it is necessary "to protect the currency system of the United States", he may in his discretion require individuals and corporations "to pay and deliver to the Treasurer of the United States any or all gold coin, gold bullion, and gold certificates owned by such individuals * * * and corporations". Upon the receipt of such gold coin, gold bullion, and gold certificates the Secretary of the Treasury is directed to pay an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States. From the reading of this language it is manifest that the thing which the

Honorable Eugene R. Black - 3

Secretary of the Treasury must first conclude is that action which he proposes to take is necessary for the protection of the currency system. When he has so concluded, the Secretary is authorized to require the delivery to the Treasurer of three things, conjunctively stated, gold coin, gold bullion and gold certificates, and to pay for them in "any other form of coin or currency coined or issued under the laws of the United States". It is manifest that this section does not pretend to give the Secretary of the Treasury the right to demand gold coin or gold bullion in exchange for gold certificates, since it expressly requires him to pay for any gold coin or gold bullion received by him by virtue of a demand made under this law in some other form of coin or currency. The section, therefore, is no authority for the Secretary of the Treasury to demand the delivery of gold in exchange for gold certificates. To remove the gold basis required by law for more than sixty per cent of our currency could not reasonably be found by the Secretary of the Treasury to be necessary for the protection of the currency.

The legislative history of this section shows that it is a part of legislation ratifying action previously taken by the President under the Trading with the Enemy Act to prohibit hoarding and exporting gold. Section 4 of Title I states as its object "to provide for the safer and more effective operation of the National Banking System and the Federal Reserve System and to preserve for the people the full benefits of the currency provided for by the Congress through the National Banking System and the Federal Reserve System". There is nowhere in the Act any suggestion that would authorize action which would

Honorable Eugene R. Black - 4

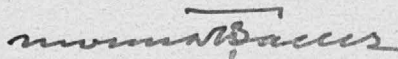
have the effect of withdrawing from the Federal Reserve System the gold which it is under a legal obligation to have as the basis and support of the Federal reserve note circulation.

It is to be remembered that when this legislation was enacted the Congress had before it the various provisions of the Federal Reserve Act which, in terms, require Federal reserve banks to have gold, and these requirements were not repealed or modified. It would, therefore, seem clear that the purpose of subsection (n) was to authorize the Secretary of the Treasury to concentrate the gold of the country in the Treasury only to the extent that other laws did not require the gold to be preserved in trust for definite legal purposes, as is the case in the Federal reserve banks.

These considerations, together with the language of subsection (n), make it clear that no part of this Act was intended to transfer either custody of or title to the gold owned or under the control of Federal reserve banks.

This last opinion is a modification of the opinion previously expressed to you and the Board.

Respectfully yours,



Newton D. Baker.