

A meeting of the Federal Reserve Board was held in Washington on Friday, December 29, 1933, at 10:00 a. 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 28, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, stating that, at a meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Reply on December 28, 1933, approved by six members of the Board, to a letter dated December 19 from Mr. Logan, Deputy Governor and General Counsel of the Federal Reserve Bank of New York; the reply reading as follows:

"In accordance with the recommendation contained in your letter of December 19, 1933, the Board approves the payment of a fee of \$2,500 to Davis, Polk, Wardwell, Gardiner & Reed for legal services in connection with problems arising out of the bank holiday of March 4, 1933, such fee having previously been approved by the Board of Directors of the Federal Reserve Bank of New York. The Board understands that this fee does not include services in connection with the suit of Bickford's Inc. v. Federal Reserve Bank of New York, The Bank of United States, and Joseph A. Broderick, Superintendent of Banks of the State of New York."

Approved.

Telegraphic reply to a letter dated December 21, and a telegram

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dated December 27, 1933, respectively, from Mr. Newton, Federal Reserve Agent at Atlanta; the reply reading as follows:

"Your letter December 21 and wire December 27. Board approves appointment of C.A. Whelchel as Examiner in Federal Reserve Agent's department your bank at salary rate of \$2700 per annum effective January 1, 1934."

Approved.

Telegraphic reply to a letter dated December 21, 1933, from Mr. Wood, Federal Reserve Agent at St. Louis; the reply reading as follows:

"Your letter twenty-first. Board approves appointment Ralph P. Jacoby as assistant examiner at salary rate of \$2400 per annum effective January 1, 1934. It is observed that personnel classification schedule your department provides salary range of \$2700 to \$3,000 for assistant examiners."

Approved.

Letters to the following examiners in the Board's Division of Examinations, each letter stating that the Board authorizes and directs the examiner to perform during the year ending December 31, 1934, within the limits of the continental United States, such travel as may be necessary in his capacity as examiner for the Federal Reserve Board under instructions from the Chief of the Division of Examinations:

Frank J. Drinnen	Harvey J. Wishart
L. A. A. Siems	Harold J. Newman
Edwin R. Millard	Joseph A. Turnbull
C. S. Barker	R. Wilson Oster
J. A. Bobb	Herbert H. Hagler
George M. Ringen	Thomas P. Howard
Earl D. Buck	J. Fred English
Charles T. Malone	Fred W. Troup
Robert W. Cooke	Andrew W. Lee
Willis G. Brown	W. T. Mann
W. D. Dougal	John C. Franzoni
Joseph H. Porter	Charles A. Strahorn
J. J. Connell	Carroll R. Highfield
Stuart L. Brown	Thomas B. O'Donnell

Approved.

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Telegrams to the Federal Reserve Agents at the respective Federal reserve banks stating that, subject to the conditions prescribed in the individual telegrams, the Board approves the applications of the following State banking institutions 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:

<u>Applicant Bank</u>	<u>Federal Reserve Bank</u>
"Springfield Safe Deposit and Trust Company", Springfield, Massachusetts.	Boston
"Bank of Cattaraugus", Cattaraugus, New York.	New York
"Clearfield Trust Company", Clearfield, Pennsylvania.	Philadelphia
"The Real Estate Trust Company of Philadelphia", Philadelphia, Pennsylvania.	Philadelphia
"The Marengo Banking Company", Marengo, Ohio.	Cleveland
"The Miami Deposit Bank Company", Yellow Springs, Ohio.	Cleveland
"American State Bank", Milwaukee, Wisconsin.	Chicago
"Planters Bank and Trust Company", Hopkinsville, Kentucky.	St. Louis
"The Yellowstone Bank", Laurel, Montana.	Minneapolis
"The Bank of Aberdeen", Aberdeen, Idaho.	San Francisco
"Bank of Newman", Newman, California.	San Francisco

Approved.

Telegram to Mr. Hoxton, Federal Reserve Agent at Richmond, stating that, subject to the conditions prescribed in the telegram, the Board approves the application of "The Bank of Rainelle", Rainelle, West Virginia, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Richmond.

Approved, together with a telegram to Mr. Hoxton, Federal Reserve Agent at Richmond, stating that the Board has considered the application of "The Meadow River Lumber Company", Rainelle, 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 Bank of Rainelle", Rainelle, West Virginia, and has authorized the issuance of a



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limited permit to the applicant, subject to the following condition:

"That prior to the issuance of the limited voting permit hereby authorized, there shall be furnished to you evidence satisfactory to you that The Bank of Rainelle, Rainelle, West Virginia, has accepted and/or satisfied the conditions of membership prescribed by the Federal Reserve Board in its telegram to you of this date so that such bank may properly be admitted to membership in the Federal Reserve System simultaneously with, or forthwith upon, the issuance of the voting permit hereby authorized."

and for the following purposes:

"To elect directors of such bank at the next annual meeting of shareholders, or at any adjournment thereof, held at any time prior to the granting by the Federal Reserve Board of a general permit entitling the grantee hereof to vote the shares of stock of such bank which it owns or controls, or held at any time prior to the determination by the Federal Reserve Board that such general permit should be withheld, whichever shall occur first, and to act at such meeting, or at any such adjournment thereof, upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank."

Telegrams dated December 28, 1933, to Mr. Case, Federal Reserve Agent at New York, and Mr. Stevens, Federal Reserve Agent at Chicago, approved by six members of the Board, referring to the applications of the "Jefferson Trust Company", Hoboken, New Jersey, and the "State Bank of Cuba", Cuba, Illinois, respectively, 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 Jefferson Trust Company and the State Bank of Cuba, the respective Federal reserve banks are authorized to cancel such stock and make a refund thereon.

Approved.



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Reply to a letter dated December 20, 1933, from Mr. Curtiss, Federal Reserve Agent at Boston; the reply reading as follows:

"Receipt is acknowledged of your letter of December 20, 1933 transmitting the request of 'The New Britain Trust Company', New Britain, Connecticut, for an extension of time to January 20, 1934 within which to comply with the conditions of membership.

"In view of the circumstances and your recommendation, the Board extends until January 20, 1934 the time within which The New Britain Trust Company may accomplish its admission to membership. The application was based on an examination as of May 8, 1933, and in view of the lapse of time since that date, this is the last extension which can be granted. In order to provide for any changes since that time, a new condition numbered twenty-four has been prescribed requiring the charge-off or elimination of all other known losses and of all depreciation in securities except those in the higher grades.

"Inclosed are the original and two copies of a letter to The New Britain Trust Company advising the bank of the new condition, and you are requested to forward the original to The New Britain Trust Company, retaining one copy for your files and forwarding the other to the State Bank Commissioner of Connecticut for his information."

Approved.

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

"Receipt is acknowledged of Mr. Dillistin's telegram dated December 26, 1933, recommending that the request of 'The Bridgeport-City Trust Company', Bridgeport, Conn., for a thirty-day extension of time within which the bank may complete membership be granted.

"In view of the circumstances and the recommendation, the Board extends until February 2, 1934 the time within which The Bridgeport-City Trust Company may accomplish its admission to membership. The application was based on the credit investigation as of May 8, 1933, and in view of the lapse of time since that date, condition numbered twenty-one has been amended to provide for the charge-off or elimination of all other known losses and of all depreciation in securities except those in the higher grades.

"Inclosed are two copies of a letter to The Bridgeport-City Trust Company advising the bank of the extension of time, the amended condition, and that if it is unable to

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"accomplish its membership by February 2, 1934 its subsequent admission must be on the basis of a new application and a current report of examination. One copy is for your files, and you are requested to forward the other to the State Bank Commissioner of Connecticut for his information."

Approved.

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

"The Union Trust Company of Maryland, Baltimore, Maryland, became a member of the Federal Reserve System on December 18, 1933; and in accordance with a condition of membership prescribed by the Federal Reserve Board, it relinquished its branch at Overlea, Maryland, outside of the corporate limits of Baltimore, which it had theretofore operated since 1928. However, in view of the provisions of a statute of the State of Maryland enacted December 15, 1933, specifically authorizing the establishment and operation of branches of State banks at any point in the State, the Union Trust Company has requested permission to operate the branch at Overlea, Maryland, while a member of the Federal Reserve System. The Bank Commissioner of the State of Maryland has approved the operation of the branch at Overlea, having ascertained to his satisfaction 'that the public convenience and advantage would be promoted by the operation of such branch at Overlea'. The Federal Reserve Agent at the Federal Reserve Bank of Richmond has recommended that the Union Trust Company be permitted to operate the Overlea branch. The bank advises that there is no other bank at Overlea, which is understood to be a large and prosperous community having a small business district of its own.

"There is inclosed herewith for your information the report of examination of the Union Trust Company of Maryland, made as of the close of business July 11, 1933, by an examiner of the Federal Reserve Bank of Richmond. It is the opinion of the Federal Reserve Board that the establishment and operation by the Union Trust Company of Maryland, Baltimore, Maryland, of a branch at Overlea, with the exception hereafter pointed out, would be in accordance with the provisions of the Federal Reserve Act governing the establishment of branches by a State member bank provided your approval thereof is given; and, with the exception referred to, the Board knows of no reason why the branch should not be established.

"As you know, a State bank which is a member of the Federal Reserve System may not operate a branch established

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"after February 25, 1927 beyond the limits of the city in which the parent bank is situated except on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks; and, under paragraph (d) of Section 5155 of the Revised Statutes of the United States,

'The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated.'

"The paid-in unimpaired capital stock of the Union Trust Company of Maryland is \$2,500,000. It now has in operation sixteen branches, one of which is located in Catonsville and the remaining fifteen in the city of Baltimore. If, in computing the amount of capital required under the above-quoted provision of the law, one unit of capital is required for each branch located in Baltimore, the capital of the Union Trust Company is inadequate to permit the operation of a branch at Overlea; but, if the branches in Baltimore are excluded in the computation, the capital of the Trust Company is sufficient for this purpose.

"It is the view of the Federal Reserve Board that under paragraph (d) of Section 5155 of the Revised Statutes, one unit of capital is required for each branch wherever located and for its head office. In this connection it will be observed that the law, in prescribing the amount of necessary capital, refers to the number of banks and does not refer to the number of places in which such banks are located. Moreover, it is believed that the intention of this particular provision of the statute was to require the same amount of capital for branch banks and for chain or group banks and, accordingly, that each branch of a bank, no matter where located, should be represented by the same amount of capital as would be required for the establishment of each national bank in a chain or group.

"The Board is informed, however, that you have taken the position, in connection with national banks, that paragraph (d) of Section 5155 is not to be construed in such a manner as to include branches within the city of the head office of a bank in determining the amount of its necessary capital. As stated, the Federal Reserve Board does not concur in this view in so far as State member banks are concerned.

"The matter is submitted to you for your consideration



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"and it will be appreciated if you will advise the Board whether in the circumstances you approve of the establishment and operation of a branch of the Union Trust Company of Maryland, Baltimore, Maryland, at Overlea, Maryland.

"The question regarding capital requirements under paragraph (d) of Section 5155, Revised Statutes, which is above discussed, is also involved in connection with other applications for branches of State member banks which have been received by the Board and on which it is important that prompt action should be had; and it will, therefore, be appreciated if you will advise of your decision in this matter at your earliest convenience."

Approved.

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

"There is transmitted herewith for your consideration and recommendation an application of the 'Peoples Bank and Trust Company', Seattle, Washington, for permission to establish a branch at Renton, Washington, after absorbing 'The First National Bank of Renton', Renton, Washington.

"The Peoples Corporation, Seattle, Washington, owns the majority of the stock of the Peoples Bank and Trust Company and The First National Bank of Renton, which institutions are the remaining units of a chain of five banks controlled by the Corporation, three located within the city limits of Seattle having been converted previously into branches of the Peoples Bank and Trust Company.

"Under the proposed plan all of the assets of The First National Bank of Renton, including charged off assets and remaining capital funds, will be transferred to the Peoples Bank and Trust Company, and simultaneously a branch will be established at the same location. The attached files contain copies of the last reports of examination of each of the affiliated banks.

"The Supervisor of Banking of the State of Washington has recommended the absorption and conversion of The First National Bank of Renton into a branch subject to conditions that The First National Bank of Renton charge out or otherwise eliminate certain unacceptable assets and that all residue of capital funds be transferred to the undivided profits account of the Peoples Bank and Trust Company. The Federal Reserve Agent and Executive Committee of the Federal Reserve Bank of San Francisco have recommended approval of the

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"application subject to compliance with the conditions imposed by the State Banking Department and providing that the capital account of the Peoples Bank and Trust Company is adjusted to a satisfactory ratio to deposits.

"The proposed transactions have been approved by the State Banking Department of the State of Washington, and in view of the apparently satisfactory condition which will exist in the Peoples Bank and Trust Company, the satisfactory management, and the favorable recommendation of the Federal Reserve Agent and Executive Committee of the Federal Reserve Bank of San Francisco, and with the exception hereinafter referred to, the Federal Reserve Board knows of no reason why the application of the Peoples Bank and Trust Company for permission to establish a branch at Renton, Washington, should not be approved provided such permission is subject to the following conditions:

- "1. Prior to absorption The First National Bank of Renton, Renton, Washington, shall, if it has not already done so, charge off or otherwise eliminate unacceptable assets aggregating approximately \$61,471.61 as required by the Supervisor of Banking of the State of Washington.
- "2. The Peoples Bank and Trust Company shall not acquire as a result of such absorption any corporate stocks which may not be lawfully purchased by a member bank.
- "3. The First National Bank of Renton shall transfer to the Peoples Bank and Trust Company all residue of capital funds, surplus and undivided profits together with all charged out or non-book assets.
- "4. The Peoples Bank and Trust Company shall increase its capital to \$1,100,000 by the sale of \$500,000 of capital notes or debentures to the Reconstruction Finance Corporation.

"Attention is called to the fact that the Peoples Bank and Trust Company now has three branches located in Seattle, Washington, and if, in computing the amount of capital required for the establishment of a branch under the provisions of Section 5155 of the Revised Statutes of the United States, one unit of capital is required for each branch located in Seattle, the capital of the Peoples Bank and Trust Company is inadequate to permit the operation of a branch at Renton; but, if the branches in Seattle are excluded in the computation the capital of the Peoples Bank and Trust Company is sufficient for this purpose. The question of law involved in this matter

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"is discussed in detail in connection with the request of the Union Trust Company of Maryland, Baltimore, Maryland, for permission to operate a branch at Overlea, which is being submitted to you today.

"It is understood that the banks involved desire to obtain a vote of their stockholders on the proposed absorption and other matters incidental thereto at the annual meeting of such stockholders on the ninth day of January, 1934, and it will therefore be appreciated if you will advise the Board in this case at your earliest convenience."

Approved.

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

"This is to advise you that the Federal Reserve Board approves the application of the 'Depositors Trust Company', Augusta, Maine, for permission to exercise the fiduciary powers authorized under its charter and the laws of the State of Maine, provided that prior to the exercise of any of these powers the board of directors of such bank shall adopt an appropriate resolution accepting the three conditions given below and shall transmit to the Board, through you, a copy of such resolution:

- "1. Such bank shall not invest trust funds held by it in obligations of the bank's directors, officers, employees or their affiliations or corporations affiliated with the bank.
- "2. Except with the permission of the Federal Reserve Board, such bank shall not invest the funds of various trusts held by the bank in participations in pools of mortgage bonds or other securities, and the funds of all such trusts shall be invested separately from each other; provided, however, that the Federal Reserve Board will not object to the collective investment of small amounts of trust funds where the cash balances to the credit of certain trust estates are too small to be invested separately to advantage, if the bank owns no participation in the securities in which such collective investments are made and has no interest in them except as trustee or other fiduciary.
- "3. If trust funds held by such bank are deposited in its banking department or otherwise used in the



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"conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise the Depositors Trust Company of the Board's action."

Approved.

Letter to Mr. Stevens, Federal Reserve Agent at Chicago, reading as follows:

"Receipt is acknowledged of Mr. Young's letter, dated December 11, 1933, and of your telegram of December 21, 1933, advising of the proposed reduction in common capital stock of the 'Bankers Trust Company', Des Moines, Iowa, from \$1,000,000 to \$250,000, and the sale of \$650,000 par value Class 'A' preferred stock and \$100,000 par value Class 'B' preferred stock to the Reconstruction Finance Corporation and/or others, and recommending that such reduction in common capital stock and the sale of preferred stock be approved.

"Since it appears from the information submitted that the entire amount of funds made available by the reduction in common capital stock is to be used to eliminate objectionable assets from the bank or to establish special reserves and increase surplus and undivided profits, 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 sale of preferred stock. The Board takes this position with the understanding, of course, that your counsel has considered the case and is satisfied as to its legal aspects, that such reduction in common capital stock and the sale of preferred stock will not result in any change in the corporate existence of the bank which will affect its membership in the Federal Reserve System, that the preferred stock shall be sold only to persons or concerns who have knowledge as to the present condition of the bank and the use to which the funds released by the capital reduction are to be applied, and that the transaction has the approval of the Superintendent of Banking of the State of Iowa."

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 and Trust Company of Muskogee', Muskogee, Oklahoma, from \$500,000 to \$300,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of \$200,000 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock, together with approximately \$81,100 from the bank's surplus and undivided profits, shall be used to eliminate substandard assets and securities depreciation in the amount of approximately \$281,100, all as set forth in your memorandum of December 18, 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 Fontana', Fontana, California, 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, together with approximately \$23,751 from the bank's surplus, undivided profits and/or reserves, shall be used to eliminate substandard assets and securities depreciation in the amount of approximately \$48,751, all as set forth in your letter of December 26, 1933."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at Minneapolis, stating that the Board has considered the application of the "Minnesota National Corporation", Duluth, 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

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or controls in "The Minnesota National Bank of Duluth", Duluth, Minnesota, 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, or at any adjournment thereof, at any time prior to April 1, 1934, and to act at such meeting, or at any adjournment thereof, upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at Minneapolis, stating that the Board has considered the application of the "Bank Shares Corporation", 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 "Marquette National Bank", Minneapolis, Minnesota, and the "Marquette Trust Company", Minneapolis, Minnesota, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"(1) Prior to the issuance of such limited voting permit Marquette Trust Company shall have accepted and/or satisfied the conditions of membership prescribed by the Federal Reserve Board in its letter to Marquette Trust Company of this date so that such bank may properly be admitted to membership in the Federal Reserve System simultaneously with, or forthwith upon, the issuance of the limited voting permit authorized hereunder (2) Prior to issuance of such limited voting permit Marquette Building and Loan Association shall execute Exhibit L Federal Reserve Board Form P-3 and Bank Shares Corporation shall execute Exhibit N Federal Reserve Board Form P-4 and Marquette Building and Loan Association shall execute consent thereto, all in triplicate and in form satisfactory to you."

and for the following purposes:



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"To elect directors of either or both of such banks at annual meetings of shareholders at any time prior to April 1, 1934, 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."

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at San Francisco, stating that the Board has considered the application of the "Sebastopol National Securities Company", Sebastopol, California, 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 Sebastopol National Bank", Sebastopol, California, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of such permit applicant shall agree (1) that so long as the undersigned continues to be a holding company affiliate of a member bank (a) no person shall be elected or appointed as an officer or director of any subsidiary or affiliated member or nonmember bank of the undersigned who is unsatisfactory to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco and (b) no officer or employee of any subsidiary or affiliated member or nonmember bank of the undersigned and no officer or employee of the undersigned, as such, shall receive compensation at a rate which, in the opinion of such agent, is unreasonable or improper in view of all the circumstances; (2) that within such time as may be fixed by the Federal Reserve Agent at the Federal Reserve Bank of San Francisco, the undersigned will cause its subsidiary member and nonmember banks to charge off or otherwise eliminate, if they have not already done so, all estimated losses in loans and discounts and in other assets, all depreciation on stocks and defaulted securities, and all depreciation on securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities, in such amounts and of such character as may be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco; and (3) that within 90 days from the date of the issuance of the

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"limited voting permit aforesaid, (a) the capital funds of The Analy Savings Bank, Sebastopol, California, will be increased, pursuant to appropriate action, through contributions by stockholders, sale of preferred stock or otherwise, in such amount as may be satisfactory to the State supervisory authorities and to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco, or (b) the undersigned will take or cause to be taken such action as may be necessary to effect the divorcement of The Analy Savings Bank, Sebastopol, California, from The Sebastopol National Bank, Sebastopol, California, so that thereafter neither of said banks will be affiliated with the other in any manner described in Section 2 of the Banking Act of 1933."

and for the following purposes:

"First, to elect directors of The Sebastopol National Bank at the annual meeting of shareholders, or at any adjournment thereof, at any time prior to April 1, 1934, and to act at such meeting, or at any adjournment thereof, upon such matters of a routine nature as are ordinarily acted upon at the annual meeting of such bank. Second, to take such action as may be necessary to authorize an increase in the capital funds of The Analy Savings Bank, Sebastopol, California, or to effect the divorcement of The Analy Savings Bank, Sebastopol, California, from The Sebastopol National Bank so that thereafter neither of said banks will be affiliated with the other in any manner described in Section 2 of the Banking Act of 1933."

Approved.

Telegraphic reply to a letter dated December 27, 1933, from Mr. Young, Governor of the Federal Reserve Bank of Boston; the reply reading as follows:

"Referring your letter December 27 to Mr. Hamlin, Board agrees that reserve of \$300,000 should be set aside by your bank to cover possible losses on rediscounts and accordingly approves of your bank setting aside a reserve in that amount at end of year."

Approved.

Telegraphic reply on December 28, 1933, approved by six members of the Board, to a telegram dated December 27 from Mr. Sailer, Deputy Governor of the Federal Reserve Bank of New York; the reply reading as

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follows:

"Refer your December 27 wire. If net earnings of bank remaining after making provision for all other authorized reserves and charge-offs and accrued dividends are sufficient for purpose, Board approves your bank setting aside self-insurance reserve at end of year in an amount equal to earnings on United States securities in which fund is invested plus profit of \$11,000 on sale of securities in which fund was invested."

Approved.

Telegraphic reply to a letter dated December 27, 1933, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond; the reply reading as follows:

"In accordance with request contained in your December 27 letter Board authorizes your bank to increase its reserve for losses on discounted bills at end of year by \$187,400."

Approved.

Reply on December 28, 1933, approved by six members of the Board, to a letter dated December 19 from Senator Charles L. McNary; the reply reading as follows:

"Receipt is acknowledged of your letter of November 19, 1933, with which you inclosed a letter dated December 13, from Mr. Blaine B. Coles, Vice President of the Security Savings and Trust Company, Portland, Oregon, suggesting that the number of members on the board of directors of the Portland branch of the Federal Reserve Bank of San Francisco be increased from five to seven, and that Mr. C. C. Colt, Vice President of the First National Bank of Portland, be appointed on the branch board. Mr. Coles' letter is returned herewith.

"Section 3 of the Federal Reserve Act, which deals with branches of Federal reserve banks, provides in part as follows:

'Such branches, subject to such rules and regulations as the Federal Reserve Board may prescribe, shall be operated under the supervision of a board of directors to consist of not more than seven nor less than three directors, of whom a majority of one shall be appointed by the Federal reserve bank of the district, and the remaining directors by the Federal Reserve Board.'

It will be noted from this provision of the law that while the



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"board of directors of a branch may consist of seven members, it may also consist of as few as three.

"Accordingly, the Federal Reserve Board has ruled that the board of directors of a branch of a Federal reserve bank shall consist either of seven members or of five members, as may be determined by the board of directors of the parent Federal reserve bank, subject to the approval of the Federal Reserve Board. This ruling is based on the position that the business conducted by some of the branches of Federal reserve banks may not require a board of directors consisting of the maximum number of seven members, and on the opinion of the Board that it should be left to the board of directors of the parent Federal reserve bank to determine, subject to the approval of the Federal Reserve Board, the number of members on the board of directors of each of its branches.

"Pursuant to the Board's ruling in this matter, the board of directors of the Federal Reserve Bank of San Francisco has determined that the board of directors of each of its five branches, located at Los Angeles, Salt Lake City, Portland, Seattle, and Spokane, shall consist of five members, and the Federal Reserve Board has not been advised by the Federal Reserve Bank of any desire on its part for an increase in the number on the board of directors of the Portland branch to the maximum of seven permitted by the provision of law above referred to.

"Mr. Coles' comments with regard to the appointment of Mr. Colt as a director of the Portland branch are being brought to the attention of the members of the Federal Reserve Board, and of the Chairman of the board of directors of the Federal Reserve Bank of San Francisco."

Approved, together with a similar letter dated December 28, 1933, to Senator Frederick Steiwer in reply to his letter of December 18, 1933.

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

"Numerous applications under provisions of Clayton Act and Section 32 of Banking Act are now pending before Federal Reserve Board. Board will consider and act upon all such applications as rapidly as possible, but in view of large number of applications recently received there will be many upon which it will not be possible to act prior to January 1, 1934, the effective date of Section 8A of the Clayton Act and of Section 32 of Banking Act. Board does not feel that it may properly grant a permit in any case until it has first given adequate consideration to the application and determined that the granting of a permit would not be incompatible with the public interest. However, in

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"any case in which an application has been filed with the Board or with the Federal reserve agent covering a relationship of a kind as to which Board is authorized to issue a permit, Board will take no action with a view to the discontinuance of such relationship pending action by the Board upon the application, and you may so advise any applicant who may inquire of you regarding his status."

Approved.

Letter to Mr. Henry Swan, Vice President of the United States National Bank of Denver, Colorado, reading as follows:

"There is inclosed herewith a permit issued by the Federal Reserve Board under the authority of Section 8 of the Clayton Act, approved October 15, 1914, as amended, covering your service as officer and director of The United States National Bank of Denver, Denver, Colorado, and as director of the Denver Branch, Federal Reserve Bank of Kansas City, Denver, Colorado. The permit does not cover your service as officer and director of the Bankers Trust Company, Denver, Colorado, as it is understood that the trust company is in liquidation and has transacted no regular banking business since 1923 and therefore does not fall within the provisions of Section 8 of the Clayton Act, and that it makes no loans secured by stock or bond collateral and therefore does not fall within the provisions of Section 8A. In the event this understanding is not correct, it is requested that you advise the Federal Reserve Agent at Kansas City accordingly in order that the question of issuing a permit covering your service with the trust company may be considered.

"Your attention is called to the fact that any permit issued by the Board under the 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.

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

Approved.

Letter to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. A. L. Humphrey, for permission to serve at the same time as director of the Pittsburgh branch, Federal Reserve Bank of Cleveland, Pittsburgh, Pennsylvania, as director of The Union Trust Company of Pittsburgh, Pittsburgh, Pennsylvania, and as director

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of the First National Bank at Pittsburgh, Pittsburgh, Pennsylvania.

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
First National Bank in Pepperell, Pepperell, Massachusetts	36	
Montpelier National Bank, Montpelier, Vermont	<u>75</u>	111
<u>District No. 2.</u>		
Central National Bank of Washingtonville, Washingtonville, New York	36	36
<u>District No. 10.</u>		
Packers National Bank in Omaha, Omaha, Nebraska	132	132
	<u>Total</u>	<u>279</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
First National Bank in Washingtonville, Washingtonville, New York (Being liquidated through conservator)	39	39
<u>District No. 3.</u>		
First National Bank, Columbus, New Jersey (Insolvent)	38	
Tulpehocken National Bank & Trust Company, Philadelphia, Pennsylvania (Insolvent)	156	
Union National Bank, Scranton, Pennsylvania (Being liquidated through conservator)	<u>510</u>	704
<u>District No. 4.</u>		
Montpelier National Bank, Montpelier, Ohio (Being liquidated through conservator)	45	45
<u>District No. 6.</u>		
Jackson National Bank, Jackson, Georgia (Being liquidated through conservator)	60	60
<u>District No. 8.</u>		
First National Bank in East St. Louis, Illinois (Being liquidated through conservator)	480	480



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Applications for SURRENDER of Stock: (Continued)  
District No. 10.  
First National Bank, Glenvil, Nebraska  
(Insolvent)

Shares

	<u>22</u>	<u>22</u>
Total	1,350	

Approved.

Thereupon the meeting adjourned.

Charles M. Murrell  
Secretary.

Approved:

E. R. Blahy  
Governor.