

A meeting of the Federal Reserve Board was held in Washington on Wednesday, January 3, 1934, at 3:00 p. m.

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

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Martin, Assistant to the Governor  
Mr. Wyatt, General Counsel  
Mr. Paulger, Chief of the Division of  
Examinations

Governor Black stated that this is the first meeting of the Federal Reserve Board since Mr. Morgenthau was appointed Secretary of the Treasury and by virtue of that office became a member ex-officio of the Federal Reserve Board, and that, in addition to the notice of the meeting sent to Mr. Morgenthau by the Secretary of the Board, he (Governor Black) had in courtesy called Mr. Morgenthau's office on the telephone and had invited Mr. Morgenthau to attend the meeting and that Mr. Morgenthau's secretary had expressed Mr. Morgenthau's regret that by reason of another engagement he could not attend today.

The Governor referred to the Board's telegram of December 16, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, advising that the Board had granted an extension to January 13, 1934, within which the Hyannis Trust Company, Hyannis, Massachusetts, could accomplish admission to membership in the Federal Reserve System, and

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he stated that representatives of the trust company had conferred today with him and Mr. Wyatt with regard to the question involved in the company's application for membership as to whether the branch operated by the trust company at Osterville is outside the limits of the city, town or village in which the parent bank is located, and that the representatives had agreed to furnish additional information which they hoped to make available prior to January 13, 1934, but that it would be appreciated if the Board would grant a further extension of time in which the bank may accept the conditions of membership prescribed by the Board.

The Secretary was requested to advise the Federal Reserve Agent at Boston that the Board extends to February 12, 1934, the time within which the trust company may qualify for membership.

At this point Mr. Wyatt left the meeting.

Governor Black reported that, in accordance with the action taken at the meeting of the Board on December 21, 1933, he had taken up with Mr. Winfield Riefler the question whether he should be continued on the pay roll of the Federal Reserve Board, and that Mr. Riefler had stated that in undertaking the work with the President's Executive Council he had not understood that his connection with the Federal Reserve Board would be severed or affected in any way but that he was being loaned by the Board temporarily for the purpose of acting as economic adviser to the President's Executive Council; that he would dislike very much to have his employment by

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the Board discontinued; and that he felt his work with the Executive Council was very important and he should not be called upon to terminate it at the present time. Governor Black said that after talking with Mr. Riefler he was convinced that, in fairness to Mr. Riefler and in view of the fact that his services with the President's Executive Council cannot be terminated conveniently at the present time, the Board should permit him to remain in his present position with the Council, and he suggested that the Board continue to pay Mr. Riefler's salary until he can return to the Division of Research and Statistics or until an opportunity is presented to take up the question of the payment of his salary by the Council during the remainder of the time that he serves that organization.

After discussion, Mr. Hamlin moved that the Board continue to pay Mr. Riefler's salary in accordance with Governor Black's suggestion.

Carried.

The Secretary then referred to the action taken at the meeting of the Board on October 17, 1933, in referring to Governor Black, for recommendation, the matter of a system of rotation of the appointive members of the Federal Reserve Board as members of the Executive Committee, and to Governor Black's suggestion that the Board adopt a policy of electing each of the appointive members of the Board, other than the Governor and Vice Governor, to serve as a member of the Executive Committee of the Board, and in the absence of the Governor and



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Vice Governor as Chairman of the Committee, for a term of two months, so that each appointive member of the Board will have an opportunity to serve for at least one term during the calendar year.

In accordance with Governor Black's suggestion, the appointive members of the Board were elected to serve as members of the Executive Committee as follows:

	<u>From</u>	<u>To</u>
Mr. Hamlin	January 3, 1934	February 28, 1934, inclusive
Mr. Miller	March 1, 1934	April 30, 1934, inclusive
Mr. James	May 1, 1934	June 30, 1934, inclusive
Mr. Thomas	July 1, 1934	August 31, 1934, inclusive
Mr. Szymczak	September 1, 1934	October 31, 1934, inclusive
Mr. Hamlin	November 1, 1934	December 31, 1934, inclusive.

Mr. Morrill called attention to the fact that the fourth paragraph of Section 10 of the Federal Reserve Act, as amended by the Banking Act of 1933, provides that in the absence of the Secretary of the Treasury, the Governor, and the Vice Governor, the Board shall elect a member to act as chairman pro tempore. In this connection, it was pointed out that in the past it has been the practice of the Board to have the chairman of the Executive Committee act as chairman of the Board in the absence of the Secretary of the Treasury, the Governor and the Vice Governor.

Accordingly, each of the members of the Board listed above was elected to serve, in the absence of the Secretary of the Treasury, the Governor and the Vice Governor, as Chairman of the Board pro tempore during the period when he may act as chairman of the Executive Committee.

There were then presented reports of the respective District Committees, submitted in accordance with the action taken at the meeting of the Board on December 28, 1933, recommending action by the Board



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with regard to Clayton Act applications as follows:

That the application of Mr. Ben R. Conner for permission to serve at the same time as a director of the Federal Reserve Bank of Cleveland and as a director and officer of the First National Bank, Ada, Ohio, be approved.

That the application of Mr. L. E. Johnson for permission to serve at the same time as a director of the Federal Reserve Bank of Richmond and as a director and officer of the First National Bank of Alderson, West Virginia, be approved.

That the application of Mr. R. S. Hecht for permission to serve at the same time as a director and officer of the Hibernia National Bank in New Orleans, New Orleans, Louisiana, and as a director of the New Orleans branch of the Federal Reserve Bank of Atlanta be approved.

That the application of Mr. William P. Ridley for permission to serve at the same time as a director of the Commerce Union Bank, Columbia Branch, Columbia, Tennessee, and as a director of the Nashville branch of the Federal Reserve Bank of Atlanta be approved.

That the application of Mr. Frank J. Harle for permission to serve at the same time as a director of the Nashville branch of the Federal Reserve Bank of Atlanta, and as a director and officer of the Cleveland National Bank, Cleveland, Tennessee, be approved.

That the application of Mr. Paul M. Davis for permission to serve at the same time as a director and officer of the American National Bank, Nashville, Tennessee, and as a director of the Nashville branch of the Federal Reserve Bank of Atlanta be held in abeyance pending developments in the banking situation at Nashville, and that the Federal Reserve Agent at Atlanta be requested to make further investigations and, if possible, submit a more definite recommendation in this case.

That the application of Mr. D. W. Twohy for permission to serve at the same time as a director and officer of the Old National Bank and Union Trust Company, Spokane, Washington, and as director of the Spokane branch of the Federal Reserve Bank of San Francisco be approved.

Recommendations approved.

Mr. Morrill stated that, following the action of the Board at the meeting on November 20, 1933, at which he and Mr. Faulger were

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requested to consider further the matter of additional space for offices of the Board in the Shoreham building and to submit a report thereon to the Board, and in accordance with the authority informally given to him and Mr. Faulger subsequent to that date, a lease had been prepared covering an agreement reached with the Shoreham Investment Company, Incorporated, owners of the Shoreham building, providing for 780 square feet of space on the sixth floor of the building to be occupied by the Board on January 1, 1934, and 2,352 square feet of space on the sixth floor to be occupied on January 16, 1934, at a rate of \$2.50 per square foot; the lease to expire on February 28, 1934, with an option on the part of the Board to renew for the period ending June 30, 1937, subject to the right of the Board to terminate the renewed lease at any time upon not less than ninety days' notice in writing. The lease also provides, it was pointed out, for an option of one year on the part of the Board to lease, at a rate of \$2.50 per square foot, the remaining two portions of space on the sixth floor for terms beginning not later than one month after the first day of the month immediately following the month during which the Board shall notify the lessor in writing of its exercise of its option with respect to either or both of the portions of office space referred to.

The Governor was authorized to execute, on behalf of the Federal Reserve Board, as of December 30, 1933, the lease above referred to, following its execution by a duly authorized officer of the Shoreham Investment Company, Incorporated.

There was then presented a draft of a letter, previously circulated among and approved by the members of the Board, with the



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exception of Mr. Miller, to Mr. L. R. Rounds, as Chairman of the Pension Committee of the Governors' Conference, reading as follows:

"This is in reply to your letter of November 22, 1933 with regard to the retirement plan which it is proposed to establish for officers and employees of the Federal reserve banks. You state that since you and Mr. Buck met with Mr. James and his committee and members of the Board's Staff on November 10 you have explored the possibilities which were at that time discussed and that the Full Pension Committee has had a series of meetings. You inclose the Committee's report which includes definite recommendations as to the plan which should be established and also a copy of the revised Rules and Regulations which it is contemplated will govern the operation of the Retirement System when established. The Board understands that if the plan and the Rules and Regulations which have been recommended by your Committee are satisfactory to the Federal Reserve Board, your Committee will submit them to the Federal reserve banks and, when they have considered the matter, that the Committee will again submit the plan and the Rules and Regulations to the Federal Reserve Board with such changes, if any, as may have been made therein with a request for the Board's formal approval thereof.

"The Federal Reserve Board has reviewed the plan recommended by your Committee and the Rules and Regulations of the proposed Retirement System which were submitted with your letter and feels that it is desirable that they be amended in the respects hereinafter mentioned.

"On page 3 of the Rules and Regulations the sentence reading 'All salaries in excess of \$18,000 per annum shall be considered as \$18,000 per annum' the Board feels should be changed to read 'All salaries in excess of \$12,000 per annum shall be considered as \$12,000 per annum'. The views of your Committee as set forth in the separate letter on this subject which you submitted under date of November 22 have been considered but, as you were advised at the conference on November 10 on this subject, it is believed desirable for the reasons which were stated at that time that the amount by which the salary of any officer or employee exceeds \$12,000 per annum should not be taken into consideration in determining the bank's contribution to the fund.

"It is noted that under paragraph 6 on page 15 of the Rules and Regulations the Retirement Committee is required to set a normal rate of contribution 'which rate shall be determined for each Employing Bank, or for all of the Employing Banks as a whole if the trustees so provide'. It is possible that there may be material differences between rates which are applicable respectively to the several Federal reserve banks when calculated separately and, therefore, it is felt that it would not be desirable to make the normal rate of contribution the same for all of the Employing Banks as a whole through an averaging of the rates which would be



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"applicable to the banks separately. It is suggested, therefore, that the words 'or for all the Employing Banks as a whole, if the trustees so prescribe' be eliminated.

"In paragraph 5 on page 18 of the Rules and Regulations it is noted that the Retirement Committee shall consist of five members who may but who need not be members of the Board of Trustees. Inasmuch as this Committee is to act as an Executive Committee of the Board of Trustees in administering detailed provisions of the Rules and Regulations, the Board feels that it is desirable that they should be members of the Board of Trustees and accordingly that the words 'who may but need not' occurring in paragraph 5 should be changed to read 'who shall'.

"The second paragraph on page 21 of the Rules and Regulations provides as follows:

'Any investments of the funds of the system (by the trustees or by any trust company or bank) shall be made on a sound, conservative and secure basis, and shall in general be of a class similar to those authorized or permitted as investments for life insurance companies doing business in such States as Massachusetts, Connecticut and New York.'

"The Board feels that it is desirable that this language be changed to read substantially as follows:

'All investments of the funds of the System (by the trustees or by any trust company or bank) shall be made on a sound, conservative, and secure basis, and shall be in securities of classes which shall have been prescribed by the board of trustees and within such limitations as to amounts of particular classes of securities or of securities issued by any one obligor as shall have been prescribed by the board of trustees. In no event shall the funds of the System be invested in securities other than those in which the funds of life insurance companies doing business in the States of Massachusetts, Connecticut or New York may be invested under the laws of such States, respectively.'

"It is understood that the words 'below those' in the second line of the second paragraph on page 24 of the Rules and Regulations were included by mistake and it is assumed that they will be omitted.

"It is noted on page 25 of the Rules and Regulations that, notwithstanding anything therein to the contrary, the Board of Trustees may grant a retirement allowance to any employee retired by an Employing Bank or grant a special additional benefit, provided that the Employing Bank shall pay to the Retirement System the amount required to cover the full cost of any such allowance or benefit. Inasmuch as such a payment on the part of a Federal reserve bank would constitute an unusual expenditure in connection with the compensation of its employees and might be of substantial amount, the Board feels that a Federal reserve bank should not make such a payment until after it has first submitted the matter to the Board and obtained its approval. It is

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"suggested, therefore, that after the words 'provided that the Employing Bank' there be inserted the words 'after first having obtained the approval of the Federal Reserve Board'.

"It is also believed desirable that a slight change be made in the phraseology of the first part of the sentence on page 26 of the Rules and Regulations; and it is suggested that that part of the sentence occurring before the semicolon therein be changed to read as follows: 'Amendments to these rules and regulations may be proposed by the Board of Trustees, by any Employing Bank, or by the Federal Reserve Board and an amendment so proposed, when approved by the Board of Trustees and thereafter by the Federal Reserve Board, shall become a part of such Rules and Regulations;' etc.

"It is assumed, of course, that other parts of the plan and of the Rules and Regulations will be modified wherever necessary or appropriate to conform to the changes which are mentioned above.

"You are advised that the Federal Reserve Board is prepared to approve the plan and the rules and regulations for the Retirement System in the form submitted with your letter of November 22, 1933, if and when they have been modified in the respects above mentioned and have been approved by the Federal reserve banks."

Mr. Miller stated that he had not approved the letter for the reason that, when the question of a pension plan for Federal reserve banks was under consideration previously, it was thought advisable to request Congress to pass legislation authorizing the establishment of the plan; that such a request was made on various occasions but that the bill was never finally approved by Congress; and that he felt, in view of the failure of Congress to act, very careful consideration should be given by the Board to the matter before approving a retirement plan for Federal reserve banks. It was pointed out that one of the principal reasons for requesting legislation by Congress in connection with a pension plan was that the plan then proposed provided for the inclusion of member banks, and that in connection with the present plan the Board's counsel has given careful consideration to the question



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whether the Federal reserve banks may proceed independently of enabling legislation to establish a retirement plan for their own officers and employees, and is satisfied that the Federal reserve banks have such authority. Mr. Miller stated that inasmuch as it was thought previously that it would be inadvisable to proceed without Congressional sanction, he felt that the matter should be very carefully considered by the Federal Reserve Board before action is taken.

Mr. Hamlin then moved that the proposed letter be approved.

Carried, Messrs. Miller and Thomas voting "no".

There was also presented a draft of a letter to Mr. Hoxton, Federal Reserve Agent at Richmond, previously circulated and approved by all of the appointive members of the Board except Messrs. Hamlin and Thomas, reading as follows:

"The Board has reviewed the information submitted with the application of the Calvin B. Taylor Banking Company of Berlin, Berlin, Maryland, for membership in the Federal Reserve System. From this it appears that following the banking holiday the applicant bank obtained agreements from its depositors whereby twenty-five per cent of their deposits, except where the balances were \$50 or less, were assigned to the bank and used, together with the capital funds released, for the purpose of eliminating undesirable assets. It is noted that the bank delivered to each depositor making such assignment a certificate of participation and that payments on these certificates are to be made, in all events, before dividends to the stockholders of the bank are paid, and that the certificate holders have a priority over the claims of the stockholders upon liquidation, consolidation, merger or future reorganization of the bank. It is apparent, therefore, that the institution has a liability for the payment of these certificates of participation which is more than sufficient in amount to eliminate the capital, surplus and undivided profits of the bank. Your attention is called to the Board's letter of August 14, 1933 (X-7549-a), in which circumstances comparable to those here involved were discussed in connection with



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"an application for membership.

"In these circumstances, the Board feels that it would not be justified in approving the application of the Calvin B. Taylor Banking Company of Berlin for membership at this time, and requests that you communicate with the bank and suggest the withdrawal of this application from further consideration. In such event, although the application itself and the accompanying papers will remain a part of the Board's files, no adverse action thereon will be taken. If, at a later time, you feel that the Board would be justified in considering the matter again, the Board will be glad to do so upon your recommendation accompanied by a new application and a current report of examination."

Mr. Thomas stated that a number of other banks in Maryland have been reorganized in accordance with the plan used in the reorganization of the Calvin B. Taylor Banking Company, and that the State banking authorities of Maryland have requested that, if the Board is inclined to disapprove the bank's application, they be given an opportunity to appear before the Board in connection with the matter before such action is taken.

Mr. Thomas was requested to advise the banking authorities of Maryland that the Board will be glad to grant them a hearing at a meeting to be held on Friday, January 5, 1934, at 10:00 a. m.

The Board then considered and acted upon the following matters:

Telegrams dated January 3, 1934, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, both advising that, at meetings of the boards of directors today, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated December 26, 1933, from Mr. Paulger, Chief

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of the Division of Examinations, recommending the appointment of Mr. Gordon R. Murff and his designation as an Assistant Federal Reserve Examiner, with salary at the rate of \$2,700 per annum; the recommendation having been approved by five members of the Board on January 2, 1934.

Mr. Murff was appointed an examiner for all purposes of the Federal Reserve Act, as amended, and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Federal Reserve Board, and was designated as an Assistant Federal Reserve Examiner, with salary at the rate of \$2,700 per annum, all effective as of January 6, 1934.

Memorandum dated December 29, 1933, from Mr. Vest, Assistant Counsel, recommending that Miss Jeane Carroll, a stenographer in the office of General Counsel, be granted leave of absence with pay, on account of illness, for the period from December 9 to December 31, 1933, inclusive; the recommendation having been approved by five members of the Board on December 30, 1933.

Approved.

Bond in the amount of \$100,000, executed under date of December 18, 1933, by Mr. Ernest W. Swanson as Assistant Federal Reserve Agent at the Federal Reserve Bank of Minneapolis.

Approved.

Telegraphic reply to a letter dated December 28, 1933, from Mr. Williams, Federal Reserve Agent at Cleveland; the reply reading as follows:

"Your letter December 28. Board approves appointment of John E. Orin, James W. Miskell and Robert W. Miller as assistant

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"examiners in Federal Reserve Agent's department your bank at salary rates of \$1,600, \$2,100 and \$1,800 per annum respectively, effective upon assuming duties as such. Please advise effective dates."

Approved.

Reply on January 2, 1934, approved by six members of the Board, to a letter dated December 22, 1933, from Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis; the reply reading as follows:

"With your letter of December 22, 1933, you inclose statements with regard to outside business affiliations of three new employees of the Federal Reserve Bank of Minneapolis, and it is noted from the statement submitted by Mr. Carl A. Wallace that he is secretary-treasurer and apparently a director of Chas. O. Robinson & Company, South St. Paul, Minnesota.

"In connection with the reports of outside business affiliations of officers and employees received from other Federal reserve banks, the Federal Reserve Board has taken the position that no officer or employee of a Federal reserve bank occupying a responsible position should have any official connection with an outside business concern regardless of whether the affiliation interferes in any way with the individual's work at the bank or involves any financial or other relationship which might be embarrassing to the bank. If the position of clerk in the Reconstruction Finance Corporation department of your bank is not regarded as a responsible position, it is suggested that consideration be given to the effect of Mr. Wallace's connection with Chas. O. Robinson & Company on his service at your bank, and whether, in view of all the circumstances involved, the affiliation should be discontinued.

"It is noted that Mr. Wallace has a financial interest in the company and, of course, there would be no objection to his retaining that interest so long as you are satisfied that it will not affect adversely his service to your bank or result in any situation which might be embarrassing to the bank."

Approved.

Reply on January 2, 1934, approved by six members of the Board, to a letter dated December 15, 1933, from Mr. Calkins, Governor of the Federal Reserve Bank of San Francisco; the reply reading as follows:



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"The Federal Reserve Board has received your letter of December 15, 1933, with further regard to outside business affiliations of officers and employees of your bank, and it is noted that an inquiry made by you has developed the information that, with a few unimportant exceptions, none of which involves any interference with the individual's service to your bank, no officer or employee holding a responsible position is engaged in any outside occupation conducted for profit.

"In connection with reports of outside business affiliations submitted by other Federal reserve banks, the Board has taken the position that no officer or employee of a Federal reserve bank occupying a responsible position should be identified in an official capacity with an outside business interest, regardless of whether such connection interferes with the employee's service to the Federal reserve bank or involves any relationship which might be embarrassing to the Federal reserve bank.

"Accordingly, the Board will appreciate your advising whether, in any of the excepted cases referred to in your letter, there is involved an official connection as officer or director with the outside business concern. If there are any such official connections on the part of officers and employees of your bank, the Board would like to have information in each case as to the office held, the service performed by the officer or employee for the outside concern and the character of its business."

Approved.

Telegram to Mr. Stevens, Federal Reserve Agent at Chicago, referring to the application of the "State Savings Bank of Chariton, Iowa", Chariton, Iowa, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the State Savings Bank of Chariton, Iowa, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Letter to the "Lewiston National Bank", Lewiston, Idaho, reading as follows:

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"This is to advise you that the Federal Reserve Board approves your application for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Idaho, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"You are requested to have your board of directors adopt a resolution ratifying the application made for permission to exercise trust powers, and it is requested that a certified copy of the resolution so adopted be forwarded to the Federal Reserve Board for its records as soon as possible. When a copy of such resolution has been received by the Board, a formal certificate covering your authority to exercise trust powers will be sent to you."

Approved.

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

"Receipt is acknowledged of Mr. Young's letters dated December 16 and December 21, 1933, advising of a proposed reduction in common capital stock of the 'Old Kent Bank', Grand Rapids, Michigan, from \$2,000,000 to \$1,000,000, and the sale at par of \$2,500,000 par value 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, and since the Board's consent to the reduction in capital stock 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. The Board's position is taken 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 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



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"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 Commissioner of Banking of the State of Michigan.

"It has been noted, in reviewing the information submitted, that the estimated losses as shown in the report of examination of October 2, 1933, exceed the amount of the proposed charge-offs and reserves to be established by approximately \$134,100, in addition to which there will remain unprovided for securities depreciation of approximately \$115,100, of which amount \$41,500 is included in the examiner's 'doubtful' classification, the balance being unclassified. While these items are protected by the bank's surplus and undivided profits of \$456,000, the examiner also classifies over one million dollars in loans and discounts as doubtful, in which total there are no doubt heavy potential losses, and it is felt that the management of the bank should be impressed with the necessity of eliminating all losses and of collecting, adequately securing or eliminating the doubtful assets as promptly as it is possible to do so.

"It has been noted also from the analysis of the report of examination as of October 2, 1933, that in the case of several directors a large portion of their borrowings is classified as a loss in the report. The Board feels that loans to officers, directors and employees should be above criticism at all times and that any officer, director or employee whose affairs are so involved as to cause embarrassment to the institution he serves has seriously impaired his usefulness to the bank. This is particularly criticizable since the stockholders are now being called upon to make good the losses. It is requested, therefore, that in your discussions with the bank you insist upon the management's giving such loans its earnest and continued attention in an effort to reimburse the stockholders for any of the directors' loans which are eliminated or provided for by special reserves in connection with the plan of recapitalization, and in an effort to remove all cause for criticism in connection with the loans remaining in the assets of the bank."

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 'California First National Bank of Long Beach', Long Beach, California, from \$300,000 to \$100,000, 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 and \$71,017 from surplus and



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"undivided profits account, together with the contribution of \$125,000 from stockholders of the bank, shall be used to eliminate substandard assets and securities depreciation in the amount of approximately \$396,017, all as set forth in your letter of December 27, 1933.

"It is noted particularly that one of the conditions stipulated by you requires that a competent executive officer be obtained. In view of the severe criticism of the present management made by your examiner, the Board feels that a change therein is especially desirable and is in full accord with the condition above referred to."

Approved.

Telegrams to Mr. Newton, Federal Reserve Agent at Atlanta, stating that the Board has considered the applications of the "Trust Company of Georgia" and the "First National Associates", both of Atlanta, Georgia, for voting permits under authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organizations to vote the stock which they own or control in the following banking institutions:

- "The National Exchange Bank of Augusta", Augusta, Georgia,
- "The Fourth National Bank of Columbus", Columbus, Georgia,
- "The First National Bank and Trust Company in Macon", Macon, Georgia,
- "The First National Bank of Rome", Rome, Georgia,
- "The Liberty National Bank and Trust Company of Savannah", Savannah, Georgia,

and has authorized the issuance of a limited permit to each of the applicants for the following purposes:

- "1. To elect directors of such banks at the annual meetings of shareholders, or at any adjournments thereof, at any time prior to April 1, 1934, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks. 2. To authorize a reduction and/or increase in capital stock, change in number of shares of stock and/or change in par value of shares of stock of The Liberty National Bank and Trust Company of Savannah, Savannah, Georgia, and to authorize the issuance by such bank of preferred stock of one or

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"more classes, in such amount and of such par value as shall be approved by the Comptroller of the Currency of the United States, all in accordance with such plan or plans for the rehabilitation of such bank as shall be approved by the appropriate supervisory authorities and by the Federal Reserve Agent at the Federal Reserve Bank of Atlanta, and to make such amendments to the articles of association and/or by-laws of such bank as may be necessary for the purposes set forth in this paragraph."

Approved.

Reply on January 2, 1934, approved by six members of the Board, to letters dated November 8 and December 9, 1933, from Mr. Walsh, Federal Reserve Agent at Dallas; the reply reading as follows:

"Reference is made to your letters of November 8 and December 9, 1933, and the copy of the memorandum from Mr. W. P. Clarke, General Auditor of the Federal Reserve Bank of Dallas, raising a question as to the interpretation of the Bankers' Code of Fair Competition with respect to hours of employment in connection with examinations or audits of branches of the bank by auditors of the Federal Reserve Bank of Dallas.

"The interpretation and practical applicability of provisions of the Code in connection with questions of this kind are matters primarily for the determination of the Federal Reserve Bank but, in order to be of assistance to you in considering the matter, an informal inquiry was made over the telephone of Mr. Frank W. Simmonds, Secretary of the Banking Code Committee, New York, as to whether any ruling had been made by that Committee with respect to auditors of commercial banks. He stated that the question had not been submitted to the Committee but that he felt that, in circumstances such as those described by Mr. Clarke, the auditor might properly be regarded as coming within the exception as to employees in a managerial or executive capacity or in any other capacity of distinction or sole responsibility, who receive more than \$35.00 per week. This, of course, was not intended to be taken as a ruling by the Committee but merely an informal expression from Mr. Simmonds in response to the inquiry and is passed on to you for your information.

"In connection with this general subject your attention is invited to the Board's telegram of November 14, 1933, addressed to Governor McKinney."

Approved.

Letter to Mr. Andrew Welch, San Francisco, California, prepared in accordance with the action taken at the meeting of the Board on



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December 28, 1933, and reading as follows:

"Reference is made to your letter of December 15, 1933, tendering your resignation as a director of the Federal Reserve Bank of San Francisco, and to your conversation with Mr. Sargent, Assistant Federal Reserve Agent at the bank, on December 29.

"Mr. Sargent has advised that your only reason for submitting your resignation at this time is the question of your eligibility to serve as a director under the provisions of Section 8A of the Clayton Act, as amended, and that you will be glad to continue to serve as a director of the bank if it is the desire of the Board that you do so.

"The very broad language of Section 8A of the Clayton Act has given rise to numerous difficulties, and the Board has decided to recommend to Congress that this section of the law be amended as soon as possible so as not to apply to directors of Federal reserve banks and their branches, and also so as not to include organizations which occasionally make loans secured by stock or bond collateral only to their own officers or employees, and organizations engaged primarily in agricultural, commercial or industrial enterprises which occasionally make loans secured by stock or bond collateral only to their own customers. As you know, the statute does not take effect until January 1, 1934, and does not apply even then unless and until the other organization or organizations which the Federal reserve bank director is serving shall make new loans secured by stock or bond collateral, because the statute clearly refers only to corporations which 'shall make' loans after January 1, 1934.

"Accordingly, as you were advised by Mr. Sargent, the Federal Reserve Board has deferred action on your resignation in the hope that the law will be amended before it actually becomes applicable to your case, and it will be appreciated if you will continue to serve as a director of the San Francisco bank pending further advice from the Board."

Approved.

Letters dated January 2, 1934, approved by six members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Max B. Nahm, for permission to serve at the same time as director of the Federal Reserve Bank of St. Louis, St. Louis, Missouri, as director and officer of the Citizens National Bank, Bowling Green, Kentucky, and as director and officer of the Bowling Green Trust Company, Bowling Green, Kentucky.

Mr. C. C. Parks, for permission to serve at the same time as



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director and officer of The First National Bank of Denver, Denver, Colorado, as director and officer of The International Trust Company, Denver, Colorado, and as director of the Federal Reserve Bank of Kansas City, Kansas City, Missouri.

Approved.

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

Mr. W. Dale Clark, for permission to serve at the same time as officer and director of The Omaha National Bank, Omaha, Nebraska, and as director of the Omaha branch, Federal Reserve Bank of Kansas City, Omaha, Nebraska.

Mr. Frank W. Sponable, for permission to serve at the same time as officer and director of The Miami County National Bank, Paola, Kansas, as director of the Federal Reserve Bank of Kansas City, Kansas City, Missouri, and as director of The First National Bank, Osawatomie, Kansas.

Mr. Jesse B. Alexander, for permission to serve at the same time as director of the Los Angeles branch, Federal Reserve Bank of San Francisco, Los Angeles, California, and as director of the Citizens National Trust & Savings Bank of Los Angeles, Los Angeles, California.

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. 4.</u>		
First National Bank in St. Clairsville, St. Clairsville, Ohio	66	66
<u>District No. 6.</u>		
First National Bank and Trust Company at Orlando, Orlando, Florida	144	144
<u>District No. 7.</u>		
The La Grange National Bank, La Grange, Illinois	72	
Hancock County National Bank of Garner, Garner, Iowa	36	

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<u>Applications for ORIGINAL Stock: (Continued)</u>		<u>Shares</u>
<u>District No. 7. (Continued)</u>		
Manitowoc National Bank, Manitowoc, Wisconsin		<u>90</u> 198
<u>District No. 10.</u>		
Greeley National Bank, Greeley, Colorado		108
American National Bank of Shawnee, Shawnee, Oklahoma		<u>132</u> 240
<u>District No. 11.</u>		
Capital National Bank in Austin, Austin, Texas		150
San Jacinto National Bank, Houston, Texas		<u>420</u> 570
		<u>Total</u> 1,218

Application for ADDITIONAL Stock:

<u>District No. 6.</u>			
Greene County Union Bank, Greeneville, Tennessee (Increase in capital through issue of preferred stock, partly offset by decrease in surplus)		45	45

Applications for SURRENDER of Stock:

<u>District No. 1.</u>			
The First National Bank in Reading, Massa- chusetts (Voluntary liquidation; succeeded by First National Bank of Reading)		120	
Rockville National Bank, Rockville, Connecticut (Voluntary liquidation; absorbed by The Hartford-Connecticut Trust Company)		135	
The Farmington National Bank, Farmington, New Hampshire (Voluntary liquidation; succeeded by Farmington National Bank)		45	
Public National Bank, Rochester, New Hampshire (Being liquidated through conservator)		<u>150</u>	450

District No. 3.

County National Bank, Clearfield, Pennsylvania (Being liquidated through conservator)		702	
East Berlin National Bank, East Berlin, Pennsylvania (Being liquidated through conservator)		90	
The First National Bank, Monroeton, Pennsylvania (Insolvent)		18	

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Applications for SURRENDER of Stock: (Continued)		Shares	
<u>District No. 3. (Continued)</u>			
The Lehigh National Bank, Philadelphia, Pennsylvania (Insolvent)		<u>156</u>	966
<u>District No. 4.</u>			
First National Bank, Bellaire, Ohio (Being liquidated through conservator)		360	
First National Bank, Paris, Kentucky (Being liquidated through conservator)		<u>120</u>	480
<u>District No. 5.</u>			
First National Bank, Hampton, Virginia (Voluntary liquidation; succeeded by The Citizens National Bank of Hampton)		90	90
<u>District No. 6.</u>			
First National Bank, Ocilla, Georgia (Decrease in capital and surplus)		21	21
<u>District No. 7.</u>			
First National Bank, Edgerton, Wisconsin (Being liquidated through conservator)		45	
Commercial National Bank, Fond du Lac, Wisconsin (Being liquidated through conservator)		<u>533</u>	578
<u>District No. 9.</u>			
First National Bank, Ceylon, Minnesota (Insolvent)		27	
First National Bank, Canton, South Dakota (Insolvent)		<u>60</u>	87
<u>District No. 10.</u>			
First National Bank in Gallup, New Mexico (Insolvent)		42	42
<u>District No. 12.</u>			
First National Bank, Florence, Arizona (Insolvent)		18	
United States National Bank, McMinnville, Oregon (Voluntary liquidation; absorbed by United States National Bank, Portland, Oregon)		120	
United States National Bank, Salem, Oregon (Voluntary liquidation; absorbed by United States National Bank, Portland, Oregon)		150	
First National Bank, St. Helens, Oregon (Voluntary liquidation; absorbed by United States National Bank, Portland, Oregon)		36	



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<u>Applications for SURRENDER of Stock: (Continued)</u>	<u>Shares</u>
<u>District No. 12. (Continued)</u>	
The National Bank of Ellensburg, Washington (Insolvent)	40
Washington National Bank, Olympia, Washington (Voluntary liquidation; absorbed by First National Bank of Seattle)	72      436
	<u>Total      3,150</u>

Approved.

Thereupon the meeting adjourned.

Chester Moriel  
Secretary.

Approved:

E. A. Blachy  
Governor.