A meeting of the Federal Reserve Board was held in Washington on Saturday, January 6, 1934, at 11:00 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:

Memorandum dated January 5, 1934, from Mr. Wyatt, General Counsel, recommending that Miss Jeanne Carroll, a stenographer in the office of General Counsel, be granted leave of absence without pay, on account of illness, commencing January 5 and continuing until she has fully recovered from her present illness and is able to return to work.

Approved.

Letters to Mr. Helm, Deputy Governor of the Federal Reserve Bank of Kansas City, stating that, in accordance with the recommendations contained in his letters of December 15 and 20, 1933, the Board approves changes in the personnel classification plans of the bank and its Oklahoma City Branch to provide for the new position of "sorter and lister" in the check collection-government checks department of the head office, and for two new positions of "sorter and lister" in the check collection-government checks department of the branch.

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 Lake Charles', Lake
"Charles, Louisiana, from $200,000 to $100,000 pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $100,000 preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock, together with approximately $73,000 from the bank's surplus, undivided profits and reserves, shall be used to eliminate substandard assets in the amount of approximately $173,000, all as set forth in your letter of December 29, 1933.

"It was noted from the plan submitted by the applicant bank that the directors propose to execute a guarantee in the amount of $14,814.80 in order to leave a surplus and undivided profits of approximately $30,000 after the eliminations are accomplished. This guarantee is not mentioned in your letter of December 29, 1933, to the Federal Reserve Board; however, it is assumed that you have given effect to the execution of the proposed guarantee by deducting the amount thereof from the total of doubtful loans scheduled for elimination."

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 Tilden National Bank', Tilden, Nebraska, from $25,000 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 $5,400 from the bank's surplus and $18,000 to be made available by a voluntary cash contribution from the shareholders, shall be used to eliminate substandard assets and securities depreciation in the amount of approximately $48,400, all as set forth in your memorandum of December 28, 1933."

Approved.

Telegram to Mr. Case, Federal Reserve Agent at New York, stating that the Board has considered the application of the "Bank of Nutley", Nutley, New Jersey, for a voting permit under authority of section 5144
of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The Franklin National Bank of Nutley", Nutley, New Jersey, 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:

"(a) that within ninety days from the date of the issuance to it of the limited voting permit aforesaid the undersigned will rehabilitate its capital structure by means of voluntary contributions, and/or issuance of new common stock, and/or preferred stock, or otherwise, and will charge off or otherwise eliminate (1) estimated losses in loans and discounts, (2) losses in any other assets, (3) net depreciation in securities, (4) fifty per cent of assets classified as doubtful, and (5) an additional amount sufficient to reduce its investment in banking house and other real estate to an amount which shall not exceed the respective current appraised values thereof, such charge-offs or eliminations to be based upon a current examination or credit investigation of the undersigned and to be of such nature and in such amounts as shall be satisfactory to the appropriate supervisory authorities and to the Federal Reserve Agent at the Federal Reserve Bank of New York, all with the effect that the aggregate capital and surplus of the undersigned shall be not less than 10 per cent of the aggregate of its deposits after making the aforesaid charge-offs and eliminations, and all in accordance with such plan or plans for the rehabilitation of the undersigned as shall be approved by the appropriate supervisory authorities and by the Federal Reserve Agent at the Federal Reserve Bank of New York;

"(b) that the undersigned will use its best efforts to eliminate and/or correct all existing items, matters, practices and policies which have been or shall hereafter be criticized by the appropriate supervisory authorities or by the Federal Reserve Agent at the Federal Reserve Bank of New York;

"(c) that within ninety days from the date of
"the issuance to it of the limited voting permit aforesaid, the undersigned will cause The Frank-lin National Bank of Nutley, Nutley, New Jersey, to charge-off or otherwise eliminate (1) estimated losses in loans and discounts, (2) losses in any other assets, (3) net depreciation in bonds and securities, (4) fifty per cent of assets classified as doubtful, (5) an additional amount sufficient to reduce the investment of such national bank in banking house and other real estate to an amount which shall not exceed the respective current appraised values thereof, and (6) to charge off or otherwise eliminate all loans secured in whole or in part by stock of the undersigned, or in lieu thereof to cause adequate marketable collateral to be substituted for said stock, all of such chargeoffs or eliminations to be based upon a current examination or credit investigation of said national bank and to be of such nature and in such amounts as shall be satisfactory to the appropriate supervisory authorities and to the Federal Reserve Agent at the Federal Reserve Bank of New York;

"(d) that the undersigned will use its best efforts to cause said national bank to eliminate and/or correct all existing items, matters, practices and policies which have been or shall hereafter be criticized by the appropriate supervisory authorities or by the Federal Reserve Agent at the Federal Reserve Bank of New York;

"(e) that all assets of the undersigned or of said national bank which may be charged off or otherwise eliminated pursuant to the foregoing paragraphs of this agreement will remain the property of the undersigned or of said national bank, respectively, and will not be distributed to the stockholders of said national bank or of the undersigned or otherwise released in any manner whatsoever."

and for the following purposes:

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

"2. To act, at any time prior to April 1, 1934, upon a proposal to place such national bank in liquidation or to cause such bank to merge or consolidate with,
"or be absorbed by, the Bank of Nutley, Nutley, New Jersey, and to do all things which may be necessary to effect such liquidation and/or merger, consolidation or absorption, provided that such proposal shall be in accordance with a plan or plans which shall be approved by the appropriate supervisory authorities and by the Federal Reserve Board."

Approved.

Telegram to Mr. Walsh, Federal Reserve Agent at Dallas, stating that the Board has considered the application of the "Continental Bank and Trust Company", Fort Worth, Texas, 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 "Continental National Bank of Fort Worth", Fort Worth, Texas, and "The First National Bank of Hamlin", Hamlin, Texas, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of the permit authorized hereunder, applicant shall agree:

"(a) that within such time as may be fixed by the Federal Reserve Agent at the Federal Reserve Bank of Dallas, it will consummate or cause to be consummated, in accordance with the terms thereof, a certain plan involving, among other things, a reduction in the capital stock of the Continental National Bank of Fort Worth, Fort Worth, Texas, as approved by the Comptroller of the Currency and by the Federal Reserve Board."

and for the following purposes:

"1. To elect directors of the Banks at the annual meetings of shareholders, or at any adjournments thereof, at any time prior to April 1, 1934, and to act thereupon upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of the 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 Continental National Bank of Fort Worth, Fort Worth, Texas, and to
"authorize the issuance by such bank of preferred stock, in such amount and of such par value as shall be approved by the Comptroller of the Currency, all in accordance with such plan or plans as shall be approved by the Comptroller of the Currency and by the Federal Reserve Board, and to make such amendments to the articles of association and/or by-laws of such bank as may be necessary for these purposes."

Approved, together with a 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 'Continental National Bank of Fort Worth', Fort Worth, Texas, from $750,000 to $450,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of $300,000 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 a corresponding amount of substandard assets and securities depreciation, all as set forth in your letter of December 16, 1933."

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

"In order further to expedite issuance of voting permits during next few days you are authorized, whenever a code telegram commencing with word 'Ancigar' is terminated by word 'Ancilane', to have prepared by your counsel and to issue to applicant limited voting permit in accordance with terms stated in such telegram when applicant has complied with all conditions prescribed in such telegram, if any, or upon receipt of such telegram if no conditions are prescribed. Please have such voting permits prepared in form used by Board, except that they are to be signed 'Federal Reserve Board, by Blank, Federal Reserve Agent' and will not have Board's seal affixed. In such cases no permits will be mailed from here but you are requested to mail Board, for its records, fully executed carbon copies of permits issued by you."

Approved.

Telegraphic reply to a telegram dated January 5, 1934, from Mr. Seny, Governor of the Federal Reserve Bank of Richmond; the reply reading as follows:
"Reply to your wire fifth delayed in order to obtain copy Federal Deposit Insurance Corporation letter of January 3 to your bank. Board understands that subscription for stock and payment therefor as called for in that letter is due and payable by your bank under terms of section twelve (b) of Federal Reserve Act."

Approved.

Telegraphic reply to a telegram dated January 5, 1934, from Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta; the reply reading as follows:

"Reply your wire fifth delayed in order to obtain copy of Federal Deposit Insurance Corporation letter of January 3 addressed to your bank. Subscription for stock and payment therefor as called for in that letter is required under terms of section 12 B of Federal Reserve Act."

Approved.

Reply to a letter dated October 13, 1933, from Mr. Boies C. Hart, Vice President of the National City Bank of New York, New York; the reply reading as follows:

"This refers to your letter of October 13, 1933, regarding certain questions arising under the Banking Act of 1933 and the Federal Reserve Board's Regulation Q, in connection with the operations of branches of your bank located outside of the United States. I regret that the urgency of other matters arising in connection with the Banking Act of 1933 has prevented an earlier reply to your letter.

"You request that the Federal Reserve Board rule that the provisions of Section 19 of the Federal Reserve Act relating to the payment of deposits and interest thereon by member banks of the Federal Reserve System and Regulation Q are not applicable to branches of your bank operating in the Philippine Islands; and in this connection you point out that under the Act of Congress of August 29, 1916, U. S. C. Title 48, Sec. 1003, the statutory laws of the United States enacted subsequent to August 29, 1916 are not applicable to the Philippine Islands unless specifically so provided."
"The provisions of Section 19 of the Federal Reserve Act relating to the payment of interest on deposits are restrictions upon the authority of member banks and, accordingly, are applicable to the operations of such banks without regard to the places where such operations may be carried on (with the specific exceptions stated in the law). The restrictions are predicated upon the status of the banks as members of the Federal Reserve System, rather than upon the locations of such banks; and the operations of a branch of a member bank in the Philippine Islands are none the less the operations of a member bank of the Federal Reserve System. As stated in the Board's letters of August 8 and September 27, 1933, addressed to Messrs. Shearman and Sterling, it is the opinion of the Board, in view of the decisions of the courts with reference to the status of the Philippine Islands, that they may not properly be regarded as a foreign country within the meaning of the provision of Section 19 of the Federal Reserve Act which excepts from the prohibition upon the payment of interest on deposits payable on demand 'any deposit of such bank which is payable only at an office thereof located in a foreign country.' Accordingly, it is the view of the Federal Reserve Board that the provisions of Section 19 of the Federal Reserve Act relating to the payment of deposits and interest thereon must be considered as applicable to the operation of branches of member banks located in the Philippine Islands. With regard to your suggestion that Congress apparently did not intend that the provisions of the Banking Act of 1933 should apply to banking operations conducted by member banks outside of the continental United States and that it was an oversight on the part of Congress in failing to include a provision clarifying its intention in this respect, it may be said that, even though the failure of Congress to include such a provision were the result of an oversight or inadvertence, the Federal Reserve Board would, of course, have no authority, in law, to supply any such omission in the statute.

'You also request that the Federal Reserve Board modify Regulation Q so as to fix a rate of 6 per cent per annum as the maximum which may be paid on time and savings deposits by member banks at their offices located in foreign countries or in insular possessions and you state that such a maximum rate is one within which the branches of member banks in such places may hope to compete successfully with other banking institutions doing business there. Pursuant to the provisions of Sec. 19 of the Federal Reserve Act authorizing the Federal Reserve Board to modify regulations, the Board hereby modifies Regulation Q so as to fix a rate of 6 per cent per annum as the maximum which may be paid on time and savings deposits by member banks at their offices located in foreign countries or in insular possessions, subject to the limitations and conditions stated therein.
"Reserve Board to prescribe the rates of interest which may be paid by member banks on time and savings deposits, the Federal Reserve Board gave careful consideration prior to the adoption of its Regulation Q to the question what rates should be prescribed. As a result thereof it fixed 3 per cent per annum compounded semiannually as the maximum rate which may be paid by member banks on time and savings deposits and the Board does not feel that any exception to this maximum should be made at this time. However, if you should care to obtain and furnish to the Board any data with respect to the rates of interest customarily paid by banks with which branches of your bank compete in foreign countries and in dependencies or insular possessions of the United States, the conditions of such competition or other factors which may be pertinent in this connection, the Federal Reserve Board will be glad to consider any information you may submit at such time as may seem appropriate."

"You also request that the Federal Reserve Board modify its Regulation Q so as to provide that so-called 'foreign currency deposits' which are payable only by written order on some other office or correspondent of the depositary bank are not deposits within the meaning of Section 19 of the Federal Reserve Act; and you enclose a specimen agreement used by your bank in connection with such deposits which provides that deposits subject thereto are repayable upon demand of the depositor by a demand draft payable to the order of the depositor. It would appear, therefore, that your bank is under a liability to repay the amount of such a deposit, or its foreign exchange value, by a draft drawn on a correspondent bank or another office of your bank and, presumably, that your bank would be liable to pay the amount of such draft in the event it should not be paid upon presentation in accordance with its terms. After a consideration of this question, it appears to the Federal Reserve Board, upon the basis of the information submitted, that deposits subject to the terms of such an agreement constitute deposits within the meaning of Section 19 of the Federal Reserve Act. As you are aware, deposits payable only at an office of a member bank located in a foreign country are not subject to the prohibition upon the payment of interest on deposits payable on demand."

Approved.

Telegraphic reply to a telegram dated January 1, 1934, from

Mr. James J. Chapman, Special District Representative of the Home Owners' Loan Corporation, Oakland, California; the reply reading as follows:
"Your wire January 1, 1934, to Comptroller of Currency referred to Federal Reserve Board. Section 8A of Clayton Act would not be applicable to service of William Pabst, President, San Jose National Bank, as organizer and director of proposed Federal Savings and Loan Association."

Approved.

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

**Applications for ORIGINAL Stock:**

<table>
<thead>
<tr>
<th>District No. 3.</th>
<th>Shares</th>
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<tbody>
<tr>
<td>The First National Bank of Dickson City, Dickson City, Pennsylvania.</td>
<td>75 75</td>
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</table>

**District No. 4.**

| Greenville National Bank, Greenville, Ohio | 66 66 |

**Total** | 141 |

**Applications for ADDITIONAL Stock:**

<table>
<thead>
<tr>
<th>District No. 1.</th>
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<tbody>
<tr>
<td>Canaan National Bank, Canaan, Connecticut (Increase in capital through issue of preferred stock)</td>
</tr>
<tr>
<td>Central National Bank, Middletown, Connecticut (Increase in capital through issue of preferred stock, partly offset by decrease in surplus)</td>
</tr>
<tr>
<td>First National Bank, Houlton, Maine (Increase in capital through issue of common stock)</td>
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</tbody>
</table>

**Applications for SURRENDER of Stock:**

<table>
<thead>
<tr>
<th>District No. 2.</th>
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<tbody>
<tr>
<td>The Newtown National Bank of New York, Corona, New York (Being liquidated through conservator)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>District No. 3.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers &amp; Miners National Bank, Forest City, Pennsylvania (Being liquidated through conservator)</td>
</tr>
<tr>
<td>Yardley National Bank, Yardley, Pennsylvania, (Being liquidated through conservator)</td>
</tr>
</tbody>
</table>
Applications for SURRENDER of Stock: (Cont'd)

District No. 4.
First National Bank, Bryan, Ohio
(Being liquidated through conservator) 126
Dennison National Bank, Dennison, Ohio
(Voluntary liquidation; succeeded by
The First National Bank of Dennison) 114
National Bank of Port Clinton, Ohio
(Being liquidated through conservator) 75
First National Bank, Russellton, Pennsylvania
(Insolvent) 75 390

District No. 10.
Farmers National Bank, Texhoma, Oklahoma
(Voluntary liquidation; no successor) 18 18

Total 738

Approved.

Thereupon the meeting adjourned.

Secretary.

[Signature]

Governor.