

A meeting of the Federal Reserve Board was held in Washington on Tuesday, January 30, 1934, at 12:15 p. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of
Bank Operations.

The minutes of the meeting of the Federal Reserve Board held on January 22, 1934, were approved, subject to approval by Mr. James upon his return to Washington.

The Board then considered and acted upon the following matters:

Telegram to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"Refer your letter January 26, 1934, re application of the Canton Trust Company, Canton, Mass. Board grants an extension of time to February 23, 1934 within which the bank may comply with conditions of membership."

Approved.

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

"Referring your letter January 25, 1934, regarding The Mount Vernon Trust Company, Mount Vernon, New York, Board grants extension of time to February 26, 1934 within which bank may comply with conditions of membership."

Approved.

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Letter to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to the application of the 'Berks County Trust Company', Reading, Pennsylvania, for membership in the Federal Reserve System which was forwarded to the Board on November 29, 1933, with your recommendation that the application be approved provided the bank's capital structure were strengthened and the liquidity improved.

"The plans proposed by the bank contemplated the sale of \$1,500,000 preferred stock to the Reconstruction Finance Corporation and the raising of \$500,000 to \$750,000 locally. Advice has been received from the Reconstruction Finance Corporation that the application of the Berks County Trust Company for the sale of preferred stock has been disapproved.

"In the circumstances, the Board will defer consideration of the application until the bank has submitted a definite plan for rehabilitation, together with assurances that the plan can be consummated. If such a plan is not submitted by March 15, 1934, the Board feels that any further consideration of the application should be based upon a new report of examination as a report of examination as of September 2, 1933, could not be considered current.

"It is suggested that you advise the bank accordingly, and it will be appreciated if you will keep the Board informed as to developments."

Approved.

Telegram to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Refer your letter January 26, 1934 re application of The Real Estate Trust Company, Philadelphia, Pennsylvania. Board grants extension to February 27, 1934 within which bank may comply with conditions of membership."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Refer your letter January 25, 1934 re application of The Yellowstone Bank, Laurel, Montana. Board grants an

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"extension of time to February 15, 1934 within which the bank may comply with conditions of membership. In view of the lapse of time since the date of examination on the basis of which the charge-off or elimination of assets was originally prescribed, an additional condition of membership has been prescribed as follows:

"19. Prior to admission to membership, such bank, without impairing or decreasing its present capital of \$25,000 and without reducing its surplus below \$5,000, shall charge off or otherwise eliminate, in addition to the items listed in condition numbered 17 contained in the Board's letter of December 29, 1933, based on the report of examination of the bank as of July 22, 1933, all other known losses and all depreciation in stocks, defaulted securities, and in securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities.

Please advise the bank accordingly."

Approved.

Letter to "The First National Bank of McMinnville", McMinnville, Tennessee, reading as follows:

"Reference is made to your application for permission to exercise certain fiduciary powers under the provisions of Section 11 (k) of the Federal Reserve Act.

"The Federal Reserve Board has considered the application and authorizes your bank to act, when not in contravention of State or local law, as trustee, executor, administrator and guardian of estates, only in the specific trusts in which the First Trust Company, also of McMinnville, Tennessee, had been appointed and was acting on December 23, 1933, the date upon which the consolidation of The First National Bank of McMinnville and the First Trust Company became effective and in the trusts and estates not being administered on that date but as to which the First Trust Company had already been appointed or designated as fiduciary, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board."

Approved.

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

"Reference is made to Mr. Young's letter of January 8, 1934, inclosing the application of The National Bank of Savanna, Savanna, Illinois, for full fiduciary powers.

"The Board is in accord with the recommendation of your office, in which the Comptroller of the Currency concurs, that action on the application be deferred until receipt of a report of examination of the bank. It is felt, however, that as a general rule the first examination of a newly organized bank, usually made about four months after it commences business, does not cover a sufficient period of time to permit a satisfactory determination as to the character of business transacted or which may be developed, the ability of the active management and the board of directors, or the need for trust powers. It is felt also that, unless undue hardship to the bank would result by reason of such action, it would be preferable to await a report of examination made after the applicant bank has been in operation more than six months.

"The Board, therefore, will take no action on the pending application, and you are requested to advise the institution accordingly. If, at a later date, the bank desires to renew its application, the Board will be glad to consider the matter upon your recommendation, which should be accompanied by full information regarding the management, particularly as regards the supervision to be given the proposed trust department, the general condition of the bank and its need for trust powers."

Approved.

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

"Reference is made to Mr. Young's letter of January 8, 1934, inclosing the application of The National Bank of Washington, Washington, Iowa, for full fiduciary powers.

"The Board is in accord with the recommendation of your office, in which the Comptroller of the Currency concurs, that action on the application be deferred until receipt of a report of examination of the bank. It is felt, however, that as a general rule the first examination of a newly organized bank, usually made about four months after it commences business, does not cover sufficient period of

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"time to permit a satisfactory determination as to the character of business transacted or which may be developed, the ability of the active management and the board of directors, or the need for trust powers. It is felt also that, unless undue hardship to the bank would result by reason of such action, it would be preferable to await a report of examination made after the applicant bank has been in operation more than six months.

"The Board, therefore, will take no action on the pending application, and you are requested to advise the institution accordingly. If, at a later date, the bank desires to renew its application, the Board will be glad to consider the matter upon your recommendation, which should be accompanied by full information regarding the management, particularly as regards the supervision to be given the proposed trust department, the general condition of the bank and its need for trust powers."

Approved.

Letter dated January 29, 1934, approved by five members of the Board, 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 'College Point National Bank of New York', College Point, New York, 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 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital stock shall be used to eliminate an equal amount of the least desirable assets, and provides also, that there shall be transferred from the undivided profits account and/or surplus fund to a reserve for depreciation and loss account such amounts as will be necessary to have such reserve for depreciation and loss account at least equal the amount of doubtful, depreciated, and worthless values, if any, remaining in the bank's assets after such eliminations, all as set forth in your memorandum of January 17, 1934."

Approved.

Letter dated January 29, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves the reduction in the common capital stock of 'The Bergenfield National Bank and Trust Company', Bergenfield, New Jersey, from \$100,000 to \$50,000, pursuant to a plan which pro-

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"vides that the bank's capital shall be increased by \$70,000 Class A preferred stock to be sold to the Reconstruction Finance Corporation and \$50,000 Class B preferred stock to be sold to a holding company to be formed by the bank's directors, and that the funds released by the reduction in common capital stock shall be used to reduce the book value of the bank's securities and/or the doubtful loans, all as set forth in your memorandum of January 17, 1934."

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 Danville', Danville, Illinois, 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, together with a portion of the bank's surplus, shall be used to eliminate unsatisfactory assets and securities depreciation in the amount of at least \$200,000, and to establish a special reserve of \$150,000 for probable losses in items classified as doubtful, all as set forth in your memorandum of January 20, 1934."

Approved.

Letter dated January 29, 1934, approved by five members of the Board, 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 Richmond', Richmond, Indiana, from \$150,000 to \$75,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of \$75,000 par value preferred stock to the Reconstruction Finance Corporation and that the funds released by the reduction in common capital, together with a portion of the bank's surplus and undivided profits, shall be used to eliminate sub-standard assets and depreciation in the amount of approximately \$160,000, all as set forth in your memorandum of January 19, 1934."

Approved.

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Letter dated January 29, 1934, approved by five members of the Board, 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 Pontotoc', Pontotoc, Mississippi, from \$125,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of \$50,000 par value preferred stock to the Reconstruction Finance Corporation, and that the funds released by the reduction in common capital shall be used to eliminate substandard assets in the amount of approximately \$55,000 and to establish a surplus of approximately \$20,000, all as set forth in your memorandum of January 16, 1934."

Approved.

Letter dated January 29, 1934, approved by five members of the Board, 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 Farmers National Bank in Pilger', Pilger, Nebraska, 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 a portion of the surplus and/or undivided profits accounts, shall be used to eliminate substandard assets in the amount of \$30,000, all as set forth in your memorandum of January 16, 1934."

Approved.

Letter dated January 29, 1934, approved by five members of the Board, 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 National Bank of Seneca', Seneca, Kansas, 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 shall be used to eliminate substandard

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"assets and securities depreciation in the amount of approximately \$21,109.39, and to increase undivided profits by approximately \$3,890.61, all as set forth in your memorandum of January 16, 1934."

Approved.

Telegram to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, stating that the Board has considered the application of the "City National Company of Battle Creek", Battle Creek, Michigan, 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 City National Bank and Trust Company of Battle Creek", Battle Creek, Michigan, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of the limited voting permit hereby authorized, applicant shall agree

"(1) That within such time as shall be fixed by the Federal Reserve Agent at the Federal Reserve Bank of Chicago the undersigned will cause The City National Bank and Trust Company of Battle Creek to rehabilitate its capital structure by voluntary contributions, issuance of common stock and/or preferred stock, sale of capital notes or debentures, or otherwise, in such amount and in accordance with such plan or plans as shall be approved by the Comptroller of the Currency and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Chicago and to cause such bank to charge off or otherwise eliminate (a) estimated losses in loans and discounts, (b) depreciation in stocks and defaulted securities, (c) depreciation in securities not of the four highest grades as classified by an investment service organization regularly engaged in the business of rating or grading securities, and (d) all other losses, such charge-offs or eliminations to be based on current examinations or credit investigations and to be of such nature and extent, and in accordance with such plan or plans for the rehabilitation of such bank, as shall be satisfactory to the Comptroller of the Currency and to the Federal Reserve Agent at the Federal Reserve Bank of Chicago;

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"(2) That all assets of such bank which may be charged off or otherwise eliminated pursuant to the foregoing clause numbered (1) of this agreement will remain the property of such bank and will not be distributed to the shareholders of the undersigned or of such bank or otherwise released in any manner whatsoever."

and for the following purposes:

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

"2. At any time prior to May 1, 1934, to act upon a proposal or proposals to authorize and effect an increase in the capital funds of such bank and to amend the bank's articles of association and do all other things necessary to carry out such purpose, provided that such proposal or proposals shall be in accordance with a plan or plans which shall be approved by the Comptroller of the Currency and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Chicago."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the City National Company of Battle Creek, a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with.

Approved.

Telegram dated January 29, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Please consider Board's telegram to you dated January 8 beginning 'ANCIGAR. A. Transamerica Corporation', amended by adding to clause 'C' (1) before final semi-colon the words 'and concurred in by the Federal Reserve Board'. Also consider similar amendment made in Board's telegram to you dated January 8 beginning 'ANCIGAR. A. Transamerica Bank Holding Company'."

Approved.

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Telegram dated January 29, 1934, approved by five members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Referring your letter January 18 Board agrees with opinion of your counsel that query numbered (2) is to be answered in the affirmative inasmuch as corporation owning a number of shares of stock of national bank which exceeds fifty per centum of the number of shares voted for the election of bank's directors at preceding election is holding company affiliate within statutory definition even though it does not own more than fifty per centum of the particular shares which were actually voted. Statutory reference not to shares but to number of shares is deemed controlling evidence of correctness of this interpretation. Meaning of query numbered (3) not clear to Board. If not answered by foregoing, please explain more fully."

Approved.

Memorandum dated January 30, 1934, from Mr. Smead, Chief of the Division of Bank Operations, reading as follows:

"When the President signs the Gold Reserve Act of 1934, the Federal Reserve banks will have no gold and their reserves will consist of gold certificates, balances with the Federal Reserve Board and the United States Treasury payable in gold certificates, and other cash. Consequently it will be necessary to eliminate from the weekly published condition statement of the Federal Reserve banks all references to gold as distinguished from gold certificates. It would also be desirable to eliminate some of the detail relating to the location of the gold certificates and gold credits payable in gold certificates. Accordingly, it is recommended that the several items making up the total reserves of the Federal Reserve banks be changed as follows:

FROM

Gold with Federal Reserve agents
 Gold redemption fund with U. S. Treasury
Gold held exclusively against F. R. notes
 Gold settlement fund with F. R. Board
 Gold and gold certificates held by banks
 Total gold reserves
 Other cash*
 Total gold reserves and other cash

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"TO

Gold certif. on hand and due from
 U. S. Treasury
 Redemption fund - F. R. notes
 Other cash
 Total reserves

"It is also recommended that the items making up the collateral for Federal Reserve notes as shown on the last page of the statement be changed as follows:

FROM

Collateral held by agent as security for notes issued to bank:
 Gold and gold certificates
 Gold fund - F. R. Board
 Eligible paper
 U. S. Govt. securities

Total collateral

TO

Collateral held by agent as security for notes issued to bank:
 Gold certif. on hand and due from
 U. S. Treasury
 Eligible paper
 U. S. Govt. securities

Total collateral

"If these changes are approved, it is recommended that the caption used to designate the reserve percentage of the Federal reserve banks be changed as follows:

FROM

Ratio of total gold reserves and other cash* to deposit and F. R. note liabilities combined

TO

Ratio of total reserves to deposit and F. R. note liabilities combined

"Should the Federal reserve banks at any time hold gold bullion or foreign gold coin, it is recommended that such gold

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"bullion or foreign gold coin be reported against the caption 'Gold' immediately preceding the caption 'Redemption fund - F. R. notes'. All gold coin and gold bullion held by or for the account of the Federal reserve banks and the Federal reserve agents, including gold in the gold funds with the Treasurer of the United States, a week ago and a year ago, would be shown opposite this item.

"*'Other cash' does not include F. R. notes or a bank's own F. R. bank notes."

Recommendations approved.

Telegram dated January 29, 1934, approved by five members of the Board, to Governor Harrison of the Federal Reserve Bank of New York, Acting Governor Schaller of the Federal Reserve Bank of Chicago, and Governor Fancher of the Federal Reserve Bank of Cleveland, as a member of the leased wire committee of the Governors' Conference. The telegram read as follows:

"Because of increased business passing over Washington-Chicago leased telegraph wire, it is necessary that additional facilities be supplied between these points, especially during late afternoon and evening. Board is advised that annual rental of additional single wire direct from Washington to Chicago would be \$17,304 per annum and in order to avoid this additional expense it has been suggested that present Chicago-New York duplex teletype wire which is on eight-hour schedule be changed to Morse duplex wire on twelve-hour schedule from 8 a. m. to 8 p. m. Eastern Standard Time and that Washington-New York wire be duplexed permanently. This would result in decrease of \$324 in annual rental of Chicago-New York wire and increase of \$1200 in the annual rental of Washington-New York wire. Also understand that this arrangement would necessitate replacing teletype operators at Chicago and New York with Morse operators at some additional expense, and employment of one additional Morse operator at Chicago and New York and part-time operator at Washington. These changes would double the present facilities between Washington and New York from 8 a. m. to 5 p. m., during which period it is understood the New York office could relay some of the business now passing over Washington-Chicago wire. After 5 p. m. the Washington-New York wire could be connected directly at New York with the New York-Chicago wire, which would give additional direct

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"duplex wire between Washington and Chicago between 5 p. m. and 8 p. m., when the load is usually heavy. Rental of switch for direct connection at New York would be \$720 per annum. Alternative suggestion is that present Chicago-New York duplex teletype wire be retained and that present eight-hour schedule be increased to eleven-hour schedule from 9 a. m. to 8 p. m. Eastern Standard Time and that the Washington-New York line be permanently duplexed, which would result in increased annual rental for the Chicago-New York wire of \$2,016 and in annual rental for the New York-Washington wire of \$1,200. This arrangement would make possible same service as first suggestion but would necessitate relaying by New York of Washington-Chicago business sent over wires after 8 o'clock, and, it is understood, may also necessitate employment of one additional teletype operator at New York and Chicago, one additional Morse operator at New York, and additional part-time operator at Washington. Board feels that additional facilities should be made available immediately. It will be appreciated, therefore, if you will advise as soon as possible if either suggestion meets your approval. This telegram being sent to Governor Harrison and Acting Governor Schaller and to Governor Fancher for consideration of Leased Wire Committee."

Approved.

In connection with the above telegram consideration was given to a recommendation contained in a memorandum from Mr. Morrill under date of January 24, 1934, that the Board authorize the employment of a part-time telegraph operator in the Washington telegraph office with salary at the rate of \$1,200 per annum, and the execution of the necessary amendments to the present contracts with the American Telephone & Telegraph Company covering the leased wires to put into effect either of the suggestions referred to in the above telegram, upon agreement between the Federal Reserve Banks of New York and Chicago upon, and approval by the leased wire committee of, the suggestion to be adopted. The recommendation was approved by five members of the Board on January 29, 1934.

Approved.

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Telegram to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, stating that the Board revokes its approval, granted on January 27, 1934, on the basis of the agent's telegram of that date, of the application of the Kingston National Bank, Kingston, Pennsylvania, for original Federal reserve bank stock and approves the application of the Kingston Bank and Trust Company, Kingston, Pennsylvania, filed under date of January 23, for 720 shares of original stock of the Federal Reserve Bank of Philadelphia to be issued in the name of the Kingston National Bank if and when the Comptroller of the Currency authorizes the latter bank to open for business.

Approved.

Letter to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of January 20, 1934, with the inclosed application of the conservator of the State National Bank of Shawnee, Shawnee, Oklahoma, for the cancelation of 90 shares of stock of the Federal Reserve Bank of Kansas City.

"On February 18, 1933, the Federal Reserve Board approved the application of the State National Bank of Shawnee for 30 additional shares of stock of the Federal Reserve Bank of Kansas City, upon the issue of which the subject bank would hold a total of 120 shares. Examination of the reports of increase in capital stock of the Federal Reserve Bank of Kansas City for the semi-annual periods ended June 30, and December 31, 1933, does not disclose any issue of Federal Reserve bank stock to the State National Bank of Shawnee, and as the conservator is applying for the cancelation of 90 shares, it is assumed that the 30 shares authorized by the Board on February 18, 1933, were not issued.

"The Board, therefore, revokes its approval, granted on February 18, 1933, of the application of the State National Bank of Shawnee, for 30 additional shares of Federal Reserve bank stock, and approves the application of the conservator of the bank for the cancelation of 90 shares of stock of the Federal Reserve Bank of Kansas City."

Approved.

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Letter dated January 29, 1934, approved by five members of the Board, to Mr. Paddock, Deputy Governor of the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letters of July 10 and July 31, 1933, together with their inclosures, with respect to your inquiry No. 23, regarding the payment of interest on deposits of public funds in the State of Rhode Island.

"It appears that on June 29, 1933, the Legislature of the State of Rhode Island enacted an amendment to Section 2 of Chapter 271 of the General Laws of that State, so as to provide that

'Unless specifically prohibited by law, every bank and every trust company is required to pay interest in accordance with its rules on deposits credited to the state and to cities, towns, fire districts, water districts and other political subdivisions of the state.'

"Careful consideration has been given to this matter in the light of the opinion of your counsel. Under the language of the State statute it would appear to be contemplated that the rate of interest to be paid on deposits of the kind in question may be provided in the rules of the depository bank, but it seems evident that interest at some rate is required to be paid in every case 'unless specifically prohibited by law'. While this latter clause creates some doubt in the matter, it is the view of the Federal Reserve Board, on the basis of the information submitted, that, under the above-quoted provision of the Rhode Island statute, 'deposits credited to the State and to cities, towns, fire districts, water districts and other political subdivisions of the State' are deposits with respect to which the payment of interest is required under State law within the meaning of Section 19 of the Federal Reserve Act; and, accordingly, that interest may lawfully be paid on such deposits which are payable on demand from the effective date of the State statute. Furthermore, there would seem to be no objection to the formulation of rules by a member bank at any time subsequent to the passage of the statute specifying the rate of interest to be paid on such deposits.

"Whether the Rhode Island statute requires the payment of interest only where the deposit is credited directly to the State or one of its political subdivisions is a question concerning which the Board does not have sufficient information to enable it to express an opinion. If there be doubt about this question, however, it may be that the member banks can arrange to have the deposits made in such manner and under such conditions that they will clearly conform to the provisions of the State statute above quoted."

Approved.

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Letter to Mr. L. R. Rounds, Chairman of the Pension Committee,
New York, New York, reading as follows:

"Receipt is acknowledged of your letter of January 27 in regard to the appointment by Governor Calkins of an organization committee for the purpose of formulating plans for putting into effect the proposed retirement system. In view of the suggestion that a member of the Board or of the Board's staff might attend the meeting at Chicago on Wednesday, January 31, Mr. Smead will attend the meeting on Thursday, not as a member of the committee, but for the purpose of enabling him to become acquainted with the various steps that may be taken and to participate in the discussion without committing the Board in advance as to any question of policy upon which its decision may be required."

Approved.

Letter dated January 29, 1934, approved by five members of the Board, to Congressman W. J. Sears, reading as follows:

"Receipt is acknowledged of your letter of January 23, 1934, in which you call attention to the practice of certain banks in making charges for the collection of Treasury checks payable to veterans of the Spanish American War.

"Section 13 of the Federal Reserve Act provides among other things that 'nothing in this or any other section of this act shall be construed as prohibiting a member or non-member bank from making reasonable charges, to be determined and regulated by the Federal Reserve Board, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal Reserve banks'.

"While the Federal Reserve Board has issued a regulation governing the clearing and collection of checks through the Federal reserve banks, it has not included therein any provision in regard to the charges which banks may make for the payment or collection of checks; and the Board has no authority to prevent banks from imposing such charges which are made in conformity with the above quoted provision of the Federal Reserve Act. Your attention is invited to the fact, however, that the statute provides a maximum charge in any such case of 10¢ per \$100 or fraction thereof based on the total of checks and drafts presented at any one time; and if you will advise the names of any member banks of the Federal Reserve System which may be engaged in the practice of making charges

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"in excess of those permitted by the law, the Board will be glad to take such steps as may be appropriate with a view to having such charges brought within the limit prescribed by the law."

Approved.

Letter to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of January 17 regarding the examination of State member banks in connection with the requirement of section 12B of the Federal Reserve Act with respect to certification to the Federal Deposit Insurance Corporation.

"It is apparent that the certifications of the Federal Reserve Board to the Federal Deposit Insurance Corporation should be upon a basis which will be applied as nearly uniformly as possible to all State member banks and consequently that the Federal reserve agents should be advised as to the principles which the Board desires to follow in determining whether or not in each case the assets of the applying bank are adequate to enable it to meet all of its liabilities to depositors and other creditors as shown by the books of the bank. In this connection, there have been some preliminary discussions with the office of the Comptroller of the Currency as to the principles which will be observed by that office in connection with certifications with respect to national banks.

"The matter is receiving consideration and as soon as possible you and all the other Federal reserve agents will be informed as to the conclusions reached. Consequently, it would seem best for the time being for you to defer any specific recommendation as to the certificate which should be issued by the Board in any particular case, but continue as you have in the past to express your views as to the condition of the bank and as to any action which should be taken with respect to the bank's membership in the Federal reserve system."

Approved.

Letter dated January 29, 1934, approved by five members of the Board, to Mr. Johns, Acting Governor of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring to your letter of December 19, 1933, the

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"Federal Reserve Board has no objection to the Federal Reserve Bank of Atlanta holding certain securities in safekeeping for an official in charge of the administration of the United States Warehouse Act in the Bureau of Agricultural Economics, United States Department of Agriculture, provided the Federal Reserve Bank of Atlanta, as Fiscal Agent of the United States, is authorized and requested to perform this service by the Secretary of the Treasury pursuant to the provisions of Section 15 of the Federal Reserve Act. It is suggested, therefore, that this matter be taken up with the official concerned with a view to having such request made by the Secretary of the Treasury.

"In all cases where the Federal Reserve bank is not specifically authorized by law to act as fiscal agent for one of the Government agencies, this service should not be undertaken unless the Reserve bank has been authorized and requested by the Secretary of the Treasury to do so as Fiscal Agent of the United States."

Approved.

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

"Reference is made to your letter of January 20, 1934, in which you raise the question as to whether you should at this time solicit nonmember banks to join the Federal Reserve System. In this connection, it is noted that you believe that your entire examining force will be engaged until July 1, 1934, in the examinations of member banks required in connection with their applications for Class A stock in the Federal Deposit Insurance Corporation.

"The Board believes that the examination departments should be so organized as to permit prompt action on any application for membership, but feels that at this time the initiative in respect to the applications may properly be left to the non-member banks."

Approved.

Letter to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of January 5, 1934, regarding the question whether interest may be paid on deposits which are payable on demand made by the University of Minnesota, together with copies of opinions of the counsel for your bank, of the Deputy Attorney General of the State of Minnesota, and

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"of the general counsel of the First National Bank and Trust Company of Minneapolis with respect to this matter.

"It is understood that Chapter 217 of Minnesota laws of 1933 provides that the State Board of Deposit shall from time to time fix the rate of interest to be paid by depositories upon State deposits and fixes the minimum and maximum rate to be paid on such deposits; and that this is the only provision of Minnesota law pertinent to this question. It is also understood that since 1919, the University of Minnesota has followed the practice of depositing funds with certain designated depositories selected and approved by the State Board of Deposit; that the University makes such deposits in its own name and subject to its own order; and that all withdrawals are made by check to the Treasurer of the State of Minnesota who sees that such check is placed to the credit of the accounts of the University which are handled by himself and the State auditor of the State of Minnesota.

"On the basis of the above understanding, the Federal Reserve Board sees no reason to differ with the opinion of your counsel that the funds so deposited by the University of Minnesota are not to be regarded as 'State deposits' within the meaning of Chapter 217 of the Minnesota laws of 1933 and, accordingly, that they are not deposits 'with respect to which payment of interest is required under State law' within the meaning of Section 19 of the Federal Reserve Act. It follows that no interest may be paid on such deposits which are payable on demand."

Approved.

There was presented a Clayton Act application filed by Mr. James Inglis of Detroit, Michigan, for permission to serve at the same time as a director and officer of the National Bank of Detroit and as a director of the Detroit branch of the Federal Reserve Bank of Chicago. The application had been previously circulated among the members of the Board, Mr. Miller indicating that because of the previous record of Mr. Inglis as a director of the Union Guardian Trust Company and the Guardian National Bank of Commerce, of Detroit, both of which are now in receivership, he was unwilling to approve the application.

Mr. Miller pointed out that Mr. Inglis is an appointee of the

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Federal Reserve Board on the board of the Detroit branch, whose term expires at the end of the current calendar year, and stated that he felt that in a case of this kind, where the other bank has had such an unsatisfactory record, the Board's appointee should not be retained on the directorate of the branch. Mr. Szymczak stated that he felt that there was no difference in principle between the case of an appointee of the Board and of an appointee of the Federal reserve bank if the circumstances were otherwise substantially similar. After some discussion Mr. Miller stated that he would be inclined to take the view that in a case where the Board's appointee would not be permitted to serve, an appointee of the Federal reserve bank also should not be permitted to serve.

The matter was discussed generally, and, at the conclusion of the discussion, Mr. Miller moved that action on Mr. Inglis' application be deferred and that consideration be given by the Board to all of the Clayton Act applications recently approved by the Board for permission to serve as directors of Federal reserve banks or branches and other banks where the record of the other banks was unsatisfactory.

Carried.

Governor Black stated that he and Messrs. Smead and Wyatt this morning had discussed the question as to what change should be made in the weekly statement of condition of Federal reserve banks after the title to the gold held by the Federal reserve banks is transferred to the Treasury Department pursuant to the Gold Reserve Act of 1934, which it was anticipated would be signed by the President today, and the question whether, as provided in that Act, the Federal reserve banks should obtain immediately from the Treasury Department gold certificates

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representing the gold transferred to the Treasury Department or to accept a receipt for the gold as provided for in the Act and request the gold certificates as they are desired by the Federal reserve banks. He also said that he had an appointment with the Secretary of the Treasury for luncheon today, and an appointment with the President this afternoon at 3:30 p. m., when this matter might be discussed, following which he would take it up further with the members of the Board.

The Governor also reported that yesterday he saw a specimen of the gold certificate which the Treasury proposes to issue to the Federal reserve banks pursuant to the provisions of the Gold Reserve Act of 1934, that the certificate is the same as the gold certificates previously issued by the Treasury except that the new certificate certifies that there has been deposited in the Treasury of the United States the face amount of the certificate in gold which is payable to the bearer on demand as authorized by law. He added that the Treasury Department was very agreeable to meeting the wishes of the Federal reserve banks as to the denominations of these certificates, and that, upon taking the matter up with the Federal reserve banks, all of them except Chicago had agreed that the certificates should be in the amount of \$100,000 each; the Federal Reserve Bank of Chicago having suggested that they be for one million dollars each.

Governor Black then stated that Mr. Curtiss, Federal reserve agent at the Federal Reserve Bank of Boston, telephoned him this morning and inquired whether the Board was going to give the Federal reserve agents at the various Federal reserve banks any advice with regard to the transfer of gold under the Gold Reserve Act of 1934, and

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the Governor suggested that a telegram be sent to all of the banks quoting an opinion submitted today by Mr. Newton D. Baker and Mr. Wyatt, reading as follows:

"H. R. 6976, known as the 'Gold Reserve Act of 1934' has now passed both Houses and been signed by the President.

"At all stages of the discussion of the subject covered by this legislation we have been constantly in touch with the legal questions involved and our views both as to the form the transaction should take and as to the legal questions involved have been reported from time to time to the Federal Reserve Board and to the Governors of the Federal reserve banks. Facing the practical question presented by the passage of the legislation we have been asked to advise whether voluntary compliance with the requirements of the Act as it affects the stock of gold owned or controlled by the Federal Reserve System is safe and wise.

"We are of the opinion that the Federal Reserve Board, the Federal reserve banks and the Federal reserve agents can safely comply with the provisions of this legislation as finally enacted and that no reservation or protest is necessary to save whatever rights they have or to fulfill any duty imposed upon them by law, particularly in view of the fact that the transactions are between them and the Government of the United States, which is ultimately responsible for the monetary policy of the Nation, for the payment of Federal reserve notes and for the credit and welfare of the Federal Reserve System established by it as an instrumentality for the performance of public functions.

"We therefore answer both questions submitted to us in the affirmative."

All of the members present concurred in Governor Black's suggestion, and he stated that he would prepare an appropriate telegram to the Federal reserve agents.

Mr. Morrill referred to the Board's letter of September 2, 1933, to Mr. Curtiss, Federal Reserve Agent at Boston, with regard to the application filed by the Tradesmens National Bank of New Haven, Connecticut, for permission to exercise trust powers, and stating that in view of the circumstances referred to in the letter the Board would not at that time take action on the applica-

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tion. Mr. Morrill stated that under date of January 27, 1934, a letter was received from Mr. John Q. Tilson, attorney for the national bank, requesting an opportunity to appear before the Board in connection with the application, stating that the matter is of vital importance to the success and permanence of the institution, and that the officers of the bank and others who are thoroughly familiar with the laws of Connecticut feel that the approval of the application is in no way in conflict with either the letter or spirit of the laws of Connecticut or Section 11(k) of the Federal Reserve Act. Mr. Morrill added that Mr. Tilson had called him on the telephone this morning and said that it would be appreciated if the Board would grant the bank's representatives a hearing on Thursday instead of Wednesday.

Mr. Morrill was requested to advise Mr. Tilson that, while the Board has reached no final conclusion with respect to the application, it will afford the bank's representatives an opportunity to present any matters that they desire to have the Board consider, on Thursday, February 1, at 10:30 a. m.

Letter dated January 27, 1934, approved by five members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. George W. Dunn, for permission to serve at the same time as a director and officer of The First National Bank of Ashland, Ashland, Oregon, and as a director of the First National Bank, Medford, Oregon.

Approved.

Letters dated January 29, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

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Mr. F. M. Condit, for permission to serve at the same time as a director and officer of The First National Bank, Beardstown, Illinois, and as a director of Neat, Condit & Grout, Bankers, Winchester, Illinois.

Mr. S. N. Lommen, for permission to serve at the same time as a director and officer of The First National Bank of Thompson, Thompson, North Dakota, and as a director and employee of The First National Bank of Buxton, Buxton, North Dakota.

Approved.

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

Mr. Halsted H. Wainright, for permission to serve at the same time as an officer and director of the Central National Bank, Freehold, New Jersey, and as an officer and director of the Manasquan National Bank, Manasquan, New Jersey.

Mr. E. B. Stanley, for permission to serve at the same time as a director of The First National Bank of Norwood, Norwood, Ohio, and as a director of The Fifth Third Union Trust Company, Cincinnati, Ohio.

Mr. George F. Moran, for permission to serve at the same time as a director and officer of the Poplar Grove Bank, Poplar Grove, Illinois, and as a director of The Second National Bank, Beloit, Wisconsin.

Mr. W. E. Carter, for permission to serve at the same time as an officer and director of the Bank of Carthage, Carthage, Missouri, and as a director of the First National Bank, Mount Vernon, Missouri.

Mr. Karl Goldsmith, for permission to serve at the same time as a director of The Pierre National Bank, Pierre, South Dakota, and as a director and officer of The Fort Pierre National Bank, Fort Pierre, South Dakota.

Mr. Joseph C. Williams, for permission to serve at the same time as an officer of the Commerce Trust Company, Kansas City, Missouri, and as a director of the Stockyards National Bank, Kansas City, Missouri.

Approved.

There were then presented the following applications for original

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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> | | |
| The National Bank of Fremont, Fremont, Ohio | 66 | 66 |
| <u>District No. 7.</u> | | |
| City National Bank of South Bend, South Bend, Indiana | 180 | 180 |
| <u>District No. 11.</u> | | |
| City National Bank of Plainview, Plainview, Texas | 66 | 66 |
| | <u>Total</u> | <u>312</u> |
| <u>Applications for SURRENDER of Stock:</u> | | |
| <u>District No. 1.</u> | | |
| Calais National Bank, Calais, Maine (Insolvent) | 78 | |
| Farmers National Bank, Houlton, Maine (Insolvent) | 90 | |
| Millbury National Bank, Millbury, Massachusetts (Insolvent) | <u>36</u> | 204 |
| <u>District No. 2.</u> | | |
| Perth Amboy National Bank, Perth Amboy, New Jersey (Decrease in capital, common; decrease in surplus) | 48 | |
| Liberty National Bank, Guttenberg, New Jersey (Being liquidated through con- servator) | <u>90</u> | 138 |
| <u>District No. 3.</u> | | |
| First National Bank & Trust Co., Hamburg, Pennsylvania (Being liquidated through conservator) | 135 | 135 |
| <u>District No. 4.</u> | | |
| First National Bank, Fremont, Ohio (Being liquidated through conservator) | 180 | 180 |
| <u>District No. 5.</u> | | |
| Cecil National Bank, Port Deposit, Mary- land (Voluntary liquidation; succeeded by The Cecil Natl. Bank at Port Deposit) | 45 | |
| Atlantic National Bank, Charleston, South Carolina (Voluntary liquidation; absorbed by Citizens & Southern Bank of South Caro- lina, Charleston, non-member) | 180 | |

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| <u>Applications for SURRENDER of Stock: (Continued)</u> | <u>Shares</u> | |
|---|---------------|-----------|
| <u>District No. 5. (Continued)</u> | | |
| Elkins National Bank, Elkins, West Virginia (Being liquidated through conservator) | 120 | |
| Peoples National Bank, Elkins, West Virginia (Being liquidated through conservator) | <u>60</u> | 405 |
| <u>District No. 6.</u> | | |
| Elk National Bank, Fayetteville, Tennessee (Being liquidated through conservator) | 90 | |
| Citizens National Bank, Dickson, Tennessee (Insolvent) | <u>36</u> | 126 |
| <u>District No. 7.</u> | | |
| Capital National Bank, Lansing, Michigan (Being liquidated through conservator) | 720 | |
| First National Bank, Amboy, Illinois (Being liquidated through conservator) | 120 | |
| National Bank of Pontiac, Pontiac, Illinois (Being liquidated through conservator) | 63 | |
| First National Bank, Lorimor, Iowa (Insolvent) | 33 | |
| American National Bank, Marshfield, Wisconsin (Being liquidated through conservator) | <u>120</u> | 1,056 |
| <u>District No. 8.</u> | | |
| Lee County National Bank, Marianna, Arkansas (Being liquidated through conservator) | 72 | 72 |
| <u>District No. 9.</u> | | |
| First National Bank, Iron River, Michigan (Being liquidated through conservator) | 75 | |
| First National Bank in Amboy, Amboy, Minnesota (Being liquidated through conservator) | <u>24</u> | 99 |
| <u>District No. 11.</u> | | |
| First National Bank, Clarksville, Texas (Being liquidated through conservator) | 51 | 51 |
| <u>District No. 12.</u> | | |
| First Greenwood National Bank, Greenwood, Washington (Seattle P. O.) (Voluntary liquidation; absorbed by First National Bank of Seattle) | <u>24</u> | <u>24</u> |
| | Total | 2,490 |

Approved.

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Thereupon the meeting adjourned.

Chester Morril

Secretary.

Approved:

E. R. Blatch

Governor.