

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, February 5, 1934, at 3:45 p.m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary

The Committee considered and acted upon the following matters:

Memorandum dated February 2, 1934, from Mr. Paulger, Chief of the Division of Examinations, referring to the authority granted at the meeting on December 19, 1933, under which Mr. J. F. Furbershaw was employed temporarily as a stenographer in the division, and recommending that, in view of the continued amount of work in the division, the temporary appointment of Mr. Furbershaw be extended for an additional thirty days on the same terms as the previous appointment.

Approved.

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

"Your letter January 30. Board approves temporary appointment Lynn McManus as Examiner in Federal Reserve Agent's department your bank at salary rate of \$4,008 per annum effective upon assuming duties. Please advise effective date."

Approved.

Letter to Mr. McIlhenny, Cashier of the Federal Reserve Bank of Philadelphia, stating that, in accordance with the recommendation contained in his letter of January 29, 1934, the Board approves changes in the personnel classification plan of the bank to provide for four new positions in various departments of the bank, and for increases in the salary ranges of two positions. The letter stated also that, in

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submitting future requests for changes in the personnel classification plan, it will be appreciated if the bank will indicate the necessity for each of the changes recommended.

Approved.

Telegram dated February 3, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, referring to the application of the "Macomb County Savings Bank", Lenox, Michigan, 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 Macomb County Savings Bank, the Federal Reserve Bank of Chicago is authorized to cancel such stock and make a refund thereon.

Approved.

Letter dated February 3, 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 Bloomington', Bloomington, Indiana, from \$120,000 to \$30,000, pursuant to a plan which provides that the bank's capital shall be increased by \$125,000 Class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and \$50,000 Class 'B' preferred stock to be sold locally, and that the funds released by the reduction in common capital stock shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in your memorandum of January 24, 1934.

"In reviewing the information submitted in connection with the proposed capital reduction, it has been noted that it is apparently intended to eliminate unsatisfactory assets totaling approximately \$186,000 by the application of approximately \$96,000 from the bank's surplus and undivided profits in addition to the released capital funds amounting to \$90,000. If these eliminations are made there will remain in the bank securities depreciation, as appraised by the Reconstruction Finance Corporation examiner on December 16, 1933, of approximately \$111,000, an amount which, if considered as a loss, is sufficient to eliminate the remaining surplus, undivided profits and common capital stock and to impair the Class 'B' preferred

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"stock to the extent of approximately \$31,000. There will also remain in the bank a large volume of slow loans and a heavy investment in banking house and furniture and fixtures. It is assumed, however, that you have these conditions in mind and that whenever it is feasible to do so you will obtain such further corrections as may be practicable."

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 Farmers National Bank of Winfield', Winfield, Iowa, 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 assets and securities depreciation in the amount of \$20,296.82 and to establish a surplus fund in the amount of \$4,703.18, all as set forth in your memorandum of January 31, 1934."

Approved.

Letter dated February 3, 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 Waverly', Waverly, Iowa, from \$100,000 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 unsatisfactory assets, all as set forth in your memorandum of January 24, 1934."

Approved.

Letter dated February 3, 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 City National Bank of Crete', Crete, Nebraska, from \$50,000 to \$25,000 pursuant to a plan which provides that the bank's capital

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"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 assets and securities depreciation, all as set forth in your memorandum of January 26, 1934."

Approved.

Letter dated February 3, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your memorandum of January 29, 1934 with reference to the Board's letter of November 10, 1933, approving a reduction in the common capital of The Security National Bank of Arkansas City, Arkansas City, Kansas, and to the Board's letter of December 27, 1933 amending its letter of November 10, 1933 by eliminating condition numbered three.

"In accordance with your recommendation the Board now amends its letter of November 10th by changing the wording of condition numbered four to read as follows:

4. That none of the funds released by the capital reduction shall be returned to the shareholders, but that such funds in the amount of \$50,000 together with funds in the amount of approximately \$10,661.81 to be made available by voluntary contribution shall be credited to undivided profits and immediately thereafter substandard assets in a like amount shall be charged off; and that the party or parties who shall contribute to the bank \$10,661.81 or approximately this amount may receive eliminated assets in return therefor, such assets to be determined by the agency manager of the Reconstruction Finance Corporation."

Approved.

Telegram dated February 3, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, stating that the Board has considered the application of the "Associates of Morris County, Inc.", Morristown, 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 "First National Bank in Rockaway", Rockaway, New Jersey, and has authorized the issuance

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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 New York the undersigned will cause First National Bank in Rockaway to rehabilitate its capital structure by voluntary contributions, issuance of common stock and/or preferred stock, 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 New York 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 New York;

"(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;

"(3) That the undersigned will cause its subsidiary bank to make such corrections as shall be requested by the Federal Reserve Agent at the Federal Reserve Bank of New York in order to remove the cause of any criticism relating to any feature of its practices, policies, management, or financial condition which has been made by the appropriate supervisory authorities."

and for the following purposes:

"1. At any meeting of shareholders of such bank, or at any adjournment thereof, at any time prior to May 1, 1934, to elect such directors as may be satisfactory to the Chief National Bank Examiner for the Second Federal Reserve District and to the Federal Reserve Agent at the Federal Reserve Bank of New York, and to act thereat upon such matters 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

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"funds of such bank and to do all things necessary for such purpose, provided that such proposal or proposals shall be in accordance with a plan which shall be approved by the appropriate supervisory authorities and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of New York."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Associates of Morris County, Inc., a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with.

Approved.

Telegram dated February 3, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has considered the application of the "Old National Corporation", Spokane, Washington, 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 First National Trust and Savings Bank of Spokane", Spokane, Washington, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Simultaneously with the issuance of the limited voting permit hereby authorized there shall be issued to Investment and Securities Co., Spokane, Washington, the limited voting permit authorized in the Board's telegram to you of this date."

and for the following purposes:

"1. To act upon a proposal or proposals to reduce the common capital stock of such bank from \$500,000 to \$250,000 pursuant to a plan which shall be approved by the Comptroller of the Currency and which shall provide, among other things, that the funds released by such reduction in common capital stock, together with a portion of the bank's undivided profits, shall be used to charge off or otherwise eliminate approximately \$277,000 of undesirable assets and of depreciation in securities.

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"2. To act upon a proposal or proposals to authorize the creation and issuance of common and/or preferred stock of such bank 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 San Francisco."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Old National Corporation a limited voting permit in accordance with the telegram.

Approved.

In connection with the above there was presented a second telegram dated February 3, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has considered the application of the "Investment and Securities Co.", Spokane, Washington, 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 First National Trust and Savings Bank of Spokane", Spokane, Washington, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Simultaneously with the issuance of the limited voting permit hereby authorized there shall be issued to Old National Corporation, Spokane, Washington, the limited voting permit authorized in the Board's telegram to you of this date."

and for the following purposes:

"1. To act upon a proposal or proposals to reduce the common capital stock of such bank from \$500,000 to \$250,000 pursuant to a plan which shall be approved by the Comptroller of the Currency and which shall provide, among other things, that the funds released by such reduction in common capital stock, together with a portion of the bank's undivided profits, shall be used to charge off or otherwise eliminate approximately \$277,000 of undesirable assets and of depreciation in securities.

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"2. To act upon a proposal or proposals to authorize the creation and issuance of common and/or preferred stock of such bank 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 San Francisco."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Investment and Securities Co. a limited voting permit in accordance with the telegram.

Approved, together with a letter dated February 3, 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 Trust and Savings Bank of Spokane', Spokane, Washington, from \$500,000 to \$250,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale at par of \$250,000 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 bank's undivided profits, shall be used to eliminate approximately \$277,000 of substandard assets and securities depreciation, all as set forth in your letter of January 20, 1934."

Letter to the President of the United States reading as follows:

"As you are aware, Section 10(b) of the Federal Reserve Act authorizes any Federal reserve bank in exceptional and exigent circumstances to make advances to its member banks on time or demand notes secured to the satisfaction of such Federal reserve bank when such member banks are without sufficient eligible and acceptable assets to enable them to obtain adequate credit accommodations through other methods provided in the Federal Reserve Act. This section was added to the Federal Reserve Act by the Act of February 27, 1932, and as originally enacted authorized such advances only until March 3, 1933. The section was amended, however, by the Act of February 3, 1933, so as to extend such time until March 3, 1934; and by the Act of March 9, 1933, Congress again amended this section in certain respects and included a provision that 'no advance shall be made under this section after March 3, 1934, or after the expiration of such additional period not exceeding one year as the President may prescribe'.

"The existence of the authority conferred by Section 10(b) of the Federal Reserve Act has made it possible for the Federal reserve

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"banks to extend to a considerable number of member banks credit which was urgently needed to tide them over a difficult period and in some instances to prevent suspension. Up to December 31, 1932, advances aggregating \$28,965,000 had been made under the authority of this section and during the year 1933 advances aggregating \$265,463,000 were made under this authority. These advances have been made to member banks located in all Federal reserve districts. On December 31, 1933, advances of this kind in the amount of \$18,824,000 were outstanding.

"In this connection it may be stated that the Governors of the Federal reserve banks considered this subject at a conference held in October, 1933, and recommended that the provisions of Section 10(b) of the Federal Reserve Act be extended for one year under the discretionary powers granted to the President by the law. Should the authority contained in this section be not extended, the Federal reserve banks will be unable after March 3, 1934, to grant credit accommodations to individual member banks which may have exhausted their assets that are eligible and acceptable to obtain adequate credit accommodations from the reserve banks by the customary methods.

"In the circumstances the Federal Reserve Board feels that it is important that the authority of the Federal reserve banks to make advances to their member banks under the provisions of this section of the law should be continued and, accordingly, respectfully recommends that, pursuant to the authority conferred upon you by Section 10(b) of the Federal Reserve Act, you prescribe an additional period of one year after March 3, 1934, during which Federal reserve banks may make advances under the provisions of that section.

"For consideration in the event that you should determine to take such action, a draft of a proclamation extending the authority of the Federal reserve banks in this respect for the period recommended has been prepared and transmitted to the Director of the Bureau of the Budget, accompanied by this letter, in accordance with the terms of the Executive Order of August 10, 1933."

Approved, together with a letter to
Honorable Lewis W. Douglas, Director of
the Bureau of the Budget, reading as follows:

"There is inclosed herewith a letter addressed to the President recommending that, pursuant to the authority conferred upon him by Section 10(b) of the Federal Reserve Act, he prescribe an additional period of one year after March 3, 1934, during which Federal reserve banks may make advances under the provisions of that section, together with a draft of a proclamation extending the authority of the Federal reserve banks in this respect for the period recommended.

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"The draft of this proclamation is transmitted to you in accordance with the terms of the Executive Order of August 10, 1933, and it will be appreciated if you will expedite its consideration and transmission with the accompanying letter, through the channels prescribed in the Executive Order, to the President for his consideration."

Letter dated February 3, 1934, approved by five members of the Board, to Mr. H. Grady Huddleston, Secretary of the Tennessee Bankers Association, Nashville, Tennessee, reading as follows:

"This refers to your letter of January 12, 1934, in which you request to be advised whether a member bank of the Federal Reserve System may lawfully issue a time certificate of deposit payable in ninety days and bearing interest at the rate of 3 per cent per annum. You suggest that if the interest so paid on such a certificate be added to the renewal of the certificate, the amount of interest ultimately paid would appear to exceed the maximum rate now allowed under the Federal Reserve Board's Regulation Q.

"Inasmuch, however, as an original certificate of deposit and a renewal certificate must be regarded as separate contracts, it is the view of the Federal Reserve Board that the payment of interest at the rate of 3 per cent per annum on a time certificate payable at the expiration of ninety days or at the expiration of any other period (not less than thirty days), whether such interest is paid in cash at maturity or added to the renewal certificate, does not constitute a violation of Section III(c) of Regulation Q which provides that no member bank shall pay interest, accruing after October 31, 1933, on any time deposit or any part thereof at a rate in excess of 3 per cent per annum, compounded semiannually. In this connection, it should be noted that if such a certificate is reissued, no interest may lawfully be paid for the period between the date of maturity of the original certificate and the date on which the renewal certificate is actually issued."

Approved.

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

"Receipt is acknowledged of your letter of January 18, 1934, in which you refer to the fact that in July, 1931, a permit was granted under the provisions of the Clayton Act to Mr. Roger Amory to serve as a director of the National Rockland Bank of Boston and as a director of The Kidder Peabody Trust Company of Boston.

"You state that in October, 1932, the name of The Kidder

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"Peabody Trust Company was changed, and that the institution is now known as the Union Trust Company. However, you state that you are informed by one of the officers of the Trust Company that the succession was simply a change of name as permitted under Massachusetts law, and that no new corporation was formed.

"You also state that on December 1, 1933, the Union Trust Company assumed the deposit liabilities of another trust company and purchased some of its assets, but that the transaction did not involve any change in the corporate existence of the Union Trust Company other than the acquisition of the additional assets and liabilities.

"Under the circumstances, you ask whether a new permit is necessary for Mr. Amory. In accordance with the Board's letter of June 25, 1930 (X-6641), you state that in your opinion there has been no change in the situation which would render it in the public interest to revoke the permit issued to Mr. Amory in 1931.

"In the event that you and the counsel for your bank are satisfied that there has been no change in the corporate existence of The Kidder Peabody Trust Company since the permit was granted to Mr. Amory, it appears that the permit heretofore issued to Mr. Amory would now authorize his service as a director of the Union Trust Company, for the reasons stated in your letter, since, in that event, it would seem that Mr. Amory would be serving the same institutions as were covered by his permit, although the name of one of them has been changed."

Approved.

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

Mr. George Ohse, for permission to serve at the same time as a director of the Yorkville National Bank, Yorkville, Illinois, and as a director of the Farmers State Bank of Yorkville, Yorkville, Illinois.

Approved, together with a letter to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"There is being transmitted to you under separate cover a copy of the permit issued to Mr. George Ohse under the provisions of the Clayton Act covering his service as director of the Yorkville National Bank and of the Farmers State Bank, both of Yorkville, Illinois.

"The permit is being issued because of the statement contained in your report that while the banks involved are in substantial competition, you feel that the influence of the applicant, who is

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"the only officer or director serving both banks, will be helpful in effecting a consolidation of the two institutions, which is much needed since the small village in which they are located can support only one bank.

"In the event the proposed consolidation has not been effected by July 1, 1934, you should review the matter and submit a report to the Board with your recommendation as to whether or not the permit should be revoked."

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

Mr. H. W. Stanton, for permission to serve at the same time as a director and officer of The Citizens National Bank & Trust Company of Oneonta, Oneonta, New York, and as a director of the First National Bank in Sidney, Sidney, New York.

Mr. Roblin H. Davis, for permission to serve at the same time as a director of the Denver branch, Federal Reserve Bank of Kansas City, Denver, Colorado, and as a director and officer of The Denver National Bank, Denver, Colorado.

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. 3.</u>		
The First National Bank in Frackville, Frackville, Pennsylvania	87	
The County National Bank at Clearfield, Clearfield, Pennsylvania	<u>324</u>	411
<u>District No. 8.</u>		
First National Bank in Altamont, Altamont, Illinois	36	36
<u>District No. 10.</u>		
The First National Bank in Aurora, Aurora, Nebraska	36	36
	<u>Total</u>	<u>483</u>
<u>Application for ADDITIONAL Stock:</u>		
<u>District No. 1.</u>		
Union Trust Company, Ellsworth, Maine	12	12

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Applications for SURRENDER of Stock:

	<u>Shares</u>	
<u>District No. 7.</u>		
First National Bank, Atwood, Illinois	18	
First National Bank, Fairfield, Iowa	96	
Wisconsin National Bank, Watertown, Wisconsin	90	204
<u>District No. 8.</u>		
First National Bank, Huttig, Arkansas	24	24
<u>District No. 11.</u>		
Lipscomb Bank & Trust Company, Luling, Texas	93	93
	<u>Total</u>	<u>321</u>

Approved.

Thereupon the meeting adjourned.

Robert Morill
Secretary.

Approved:

E. P. Hand
Governor.