

A meeting of the Federal Reserve Board was held in Washington on Tuesday, February 13, 1934, at 3:00 p.m.

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

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

The minutes of the meetings of the Federal Reserve Board held on February 3, and 7, 1934, were approved.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on February 5, 1934, were approved and the actions recorded therein were ratified unanimously.

The Board then considered and acted upon the following matters:

Memorandum dated February 7, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that he be authorized to negotiate with Mr. Patrick Joseph Winkler for his employment by the Board as an assistant Federal reserve examiner, with salary at a rate not to exceed \$3,600 per annum, effective as of the date upon which he enters upon the performance of his duties. The recommendation was approved by five members of the Board on February 10, 1934.

Approved.

Memorandum dated February 7, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that he be authorized to negotiate with Mr. A. G. Lindquist for his employment by the Board as an assistant Federal reserve examiner, with salary at the rate of \$4,500 per annum, effective as of the date upon which he enters upon the per-

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formance of his duties. The recommendation was approved by four members of the Board on February 12, 1934.

Approved.

Memorandum dated February 7, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending the appointment of Mr. R. Thornton Snow as a file clerk in the division, with salary at the rate of \$1,680 per annum, effective as of the date upon which he enters upon the performance of his duties. The recommendation was approved by five members of the Board on February 10, 1934.

Approved.

Memorandum dated February 8, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the temporary appointment of Mr. Woodlief Thomas as a member of the staff of the division be extended for an additional six months from March 8, 1934, under the arrangement now in effect with the Federal Reserve Bank of New York. The recommendation was approved by four members of the Board on February 12, 1934.

Approved.

Memorandum dated February 9, 1934, from Mr. Smead, Chief of the Division of Bank Operations, recommending the temporary appointment, for a period not exceeding three months beginning February 12, of Mrs. Helen B. Clary as a clerk-typist in the division, with salary at the rate of \$110 a month. The recommendation was approved by three members of the Board on February 10, 1934.

Approved.

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Memorandum dated February 12, 1934, from Mr. Wyatt, General Counsel, recommending that the temporary appointment of Mr. Ralph S. Tyler as Special Assistant Counsel be extended for one additional month commencing February 11, 1934, with salary at the rate of \$500 a month, and with the understanding that Mr. Tyler is not to be compensated for traveling or living expenses.

Approved.

Telegram dated February 12, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Your letter February eighth. Board approves designation of Raymond E. Schumacher as Examiner in Federal Reserve Agent's department your bank at salary rate of \$3,500 per annum. Please advise date commissioned."

Approved.

Telegram dated February 10, 1934, approved by four members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Your letter February sixth. Board approves appointment of John H. Reagan as Assistant Examiner in Federal Reserve Agent's department your bank at salary rate of \$1,800 per annum effective February 16, 1934."

Approved.

Letter dated February 9, 1934, from Mr. Williams, Chairman of the Federal Reserve Bank of Cleveland, advising of the appointment by the board of directors of the bank of Mr. W. H. Courtney, President of the First National Bank and Trust Company, Lexington, Kentucky, as a director of the Cincinnati branch of the Federal Reserve Bank of Cleveland for the unexpired portion of the term ending December 31, 1934,

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to succeed Mr. C. N. Manning, resigned.

Noted.

Letter dated February 12, 1934, approved by four members of the Board, to the board of directors of the "County Bank and Trust Company", Cambridge, Massachusetts, stating that, subject to the conditions prescribed in the letter, the Board approves the institution's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Boston.

Approved.

Letter dated February 12, 1934, approved by four members of the Board, to the board of directors of the "Fulton State Bank", Fulton, Illinois, stating that, subject to the conditions prescribed in the letter, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

Approved.

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

"Receipt is acknowledged of the report of examination of The Kanawha Valley Bank, Charleston, West Virginia, as of December 12, 1933, and of Mr. Fry's letter dated January 16, 1934, pertaining to the transaction whereby The Kanawha Valley Bank, a member bank, acquired certain of the assets and assumed the deposit liabilities as at the close of business October 7, 1933, of the Capital City Bank, a nonmember bank.

"From the information submitted, it appears that the transaction has not resulted in any material change in the general character of the assets of The Kanawha Valley Bank or broadening in the scope of the functions previously exercised by it within the meaning of the general condition under which The Kanawha Valley Bank was admitted to the Federal Reserve System, and, in accordance with the recommendation of your office, the Board will interpose

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"no objection to the transaction."

Approved.

Letter dated February 10, 1934, approved by five members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to Mr. Stewart's letter of February 3, 1934, inclosing a special memorandum prepared by one of your examiners with respect to the compliance with special conditions of membership numbered 18 and 19 prescribed by the Board in connection with the application of the Peoples Bank of Indianola, Indianola, Mississippi, for membership in the System.

"It will be appreciated if you will advise the Board if the three notes for \$1,010 each, executed by three directors and substituted for other assets eliminated from the bank, were issued for a valid consideration, are legally binding obligations of the makers, and are regarded by the respective makers as their individual liabilities. The Board wishes, also, to be advised of the manner in which payment was made of the notes totaling \$1,515.96, signed by President Swartz and Cashier Moore.

"While it was not contemplated that compliance with conditions numbered 18 and 19 would be effected in the manner reported, the Board will interpose no objection to the action taken provided that the notes executed by the three directors are legally binding obligations and that such notes will be paid in full within twelve months from the date of the bank's admission to membership in the Federal Reserve System."

Approved.

Telegram dated February 12, 1934, approved by four members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Refer your wire February 8 re application Security State Bank, Pearsall, Texas. Board grants extension of time to February 21, 1934, within which bank's admission to membership may be accomplished."

Approved.

Letter dated February 10, 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:

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"Receipt is acknowledged of Mr. Sargent's letter of January 24, 1934, regarding member banks in your district which are still operating on a restricted basis, suggesting that these banks be advised that unless satisfactory plans for reorganizations are submitted and normal business resumed forthwith, membership in the Federal Reserve System will be canceled after hearings in accordance with the provisions of the Federal Reserve Act. Mr. Sargent requests advice of the Board's views, and instructions as to the proper procedure in the circumstances.

"The Board feels that every possible assistance should be extended to member banks attempting to effect reorganizations. In cases, however, where a member bank has operated on a restricted basis for an extended period of time and has not been able to present a satisfactory plan for reorganization, the Board feels that a reserve bank would be justified in taking such steps as are necessary to effect cancellation of its stock owned by the member bank, after having carefully considered, of course, the effect such action would be likely to have on the bank's further prospects for reorganization. It is noted from Mr. Sargent's letter that the Eastern Oregon Banking Company, Shaniko, Oregon, the Bank of Beaverton, Beaverton, Oregon, and the Steiwer and Carpenter Bank, Fossil, Oregon, were all placed on a restricted basis at the time of, or prior to, the national banking holiday in March, 1933, and that such banks have been unable to submit satisfactory plans of reorganization. In view of these circumstances, the Board feels that the Eastern Oregon Banking Company, the Bank of Beaverton, and the Steiwer and Carpenter Bank should be advised that unless satisfactory plans for reorganization are submitted and normal business operations resumed by May 1, 1934, proceedings will be instituted to determine whether the stock in the Federal reserve bank owned by such member banks should not be canceled under the provisions of Section 9 of the Federal Reserve Act.

"The Board has noted, also, the comments contained in Mr. Sargent's letter to the effect that while the Pine City State Bank, Pine City, Washington, has been operating on a restricted basis only since December 29, 1933, there appears to be insufficient business in the community to justify reorganization of the bank. The Board feels, however, that the bank should be allowed a reasonable time within which to effect a reorganization and that the institution should be advised that unless satisfactory plans for reorganization are submitted and normal business operations resumed by July 1, 1934, proceedings will be instituted to determine whether the stock in the Federal reserve bank owned by it should not be canceled under the provisions of Section 9 of the Federal Reserve Act.

"It is suggested that you also advise the above mentioned banks that, before their holdings of stock in the reserve bank are canceled, an opportunity for a hearing as provided for in the Federal Reserve Act will be afforded them, if desired.

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"Since it appears that the Yakima Valley Bank and Trust Company, Yakima, Washington, has submitted a plan of reorganization which may be effected, it is requested that no action be taken at this time by your office with regard to the termination of such bank's membership in the System.

Approved.

Letter dated February 12, 1934, approved by four members of the Board, to "The Braddock National Bank", Braddock, Pennsylvania, reading as follows:

"Reference is made to the application filed by you through the Federal Reserve Agent at the Federal Reserve Bank of Cleveland, for permission to exercise fiduciary powers under the provisions of section 11(k) of the Federal Reserve Act.

"The Federal Reserve Board has considered this application and authorizes your bank to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Pennsylvania, only in the specific trusts in which the Bessemer Trust Company had been appointed and was acting at the time its assets were taken over by The Braddock National Bank, the exercise of such powers to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. Action has been deferred upon your application for full fiduciary powers until after a report of the next examination of your institution has been received."

Approved.

Letter to "The First National Bank of Danville", Danville, Indiana, reading as follows:

"The Federal Reserve Board approves your application for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Indiana, 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.

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"This letter will be your authority to exercise the fiduciary powers as set forth above. A formal certificate covering such authorization will be forwarded to you in due course."

Approved.

Letter dated February 12, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of January 16, 1934, inclosing the application of 'The Commercial National Bank of Kansas City', Kansas City, Kansas, for full fiduciary powers.

"The Comptroller of the Currency recommends that action on this application be deferred until after the next examination of the bank, which, confidentially, it is understood, Chief National Bank Examiner Wright has been requested to make in the near future.

"The Board concurs in the Comptroller's recommendation, and feels that detailed information covering the present trust department of the affiliated Kansas Trust Company should be available also in considering the subject bank's application. It is, therefore, requested that you arrange, if possible, to have your trust examiner make an examination of the trust department of the Kansas Trust Company simultaneously with the next examination of The Commercial National Bank to be made by a national bank examiner.

"The Board will defer action on the pending application until such examinations have been completed and reports thereof are made available, at which time it will be glad to have the benefit of any further recommendation you may wish to make in the premises.

"The Board would also like to receive a copy of any contract or agreement entered into between The Commercial National Bank and the Kansas Trust Company at the time the latter institution's deposit liabilities were assumed."

Approved.

Letter dated February 12, 1934, approved by three members of the Board, to the "First National Bank of Ogden", Ogden, Utah, reading as follows:

"In addition to the authority heretofore granted to your bank to act as trustee, the Federal Reserve Board approves your application to act, when not in contravention of State or local law, as executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust com-

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"panies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Utah, 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.

"This letter will be your authority to exercise fiduciary powers as set forth above. A formal certificate covering such authorization will be forwarded to you in due course.

"The Board feels that, if you are tendered any of the trusts now held by the First Savings Bank, Ogden, Utah, the Thatcher Brothers Banking Company, Logan, Utah, or the First Security Bank, Provo, Utah, you should carefully scrutinize the condition of these trusts and should not accept any of such trusts which, through their assumption may be detrimental to the interests of your institution. In this connection particular reference is made to those trust accounts and practices which were the subject of criticism by the national bank examiner in his reports of examination of the respective banks as of December 16, 1933, and which should not be permitted in the trust department of your bank."

Approved.

Letter to the governors of all Federal reserve banks reading as follows:

"Upon agreement between the Federal Reserve banks affected, the Federal Reserve Board has approved the following changes in the inter-district time schedule for cash items:

	<u>From</u>	<u>To</u>
Buffalo to Philadelphia	2 days	1 day
Buffalo to Atlanta	3 "	2 days"

Approved.

Letter dated February 10, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Board is in receipt of a letter addressed to the Comptroller of the Currency by the First National Bank, Des Plaines, Illinois, in which the cashier of the bank states that at the last offering of $2\frac{1}{2}$ Treasury notes the bank received notice of the offering the day after the bids had been closed and that they were informed by the Federal Reserve Bank of Chicago that due to the short time the

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"Bank had to get out the notices it was unable to get offerings to all banks on time. The cashier of the bank asks why it should not have been given an opportunity to subscribe for 'certificates of this issue'.

"It will be appreciated if you will advise the Board of the time when you received notice of this issue, when advice thereof was given to banks in your district and whether banks throughout the district generally received such notice in time to permit them to subscribe thereto. If advice of such issues of government securities is not received by your bank in time to get notices thereof to all banks before the offerings are closed, the Board will appreciate any suggestions relative thereto which you may wish to offer."

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>		
National Bank of Clementon, Clementon, New Jersey	45	45
<u>District No. 4.</u>		
Springs First National Bank in Cambridge Springs, Cambridge Springs, Pennsylvania	51	51
<u>District No. 7.</u>		
Utica National Bank, Utica, Michigan	36	
First National Bank in Viroqua, Viroqua, Wisconsin	<u>36</u>	72
<u>District No. 8.</u>		
The First National Bank in Marianna, Marianna, Arkansas	33	
First National Bank in Owenton, Owenton, Kentucky	<u>33</u>	66
<u>District No. 11.</u>		
First National Bank in George West, George West, Texas	36	36
<u>District No. 12.</u>		
Auburn National Bank, Auburn, Washington	36	36
	<u>36</u>	<u>36</u>
	Total	306

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<u>Applications for ADDITIONAL Stock:</u>		<u>Shares</u>	
<u>District No. 5.</u>			
Riggs National Bank, Washington, D. C.	300		300
<u>District No. 7.</u>			
Farmers' State Bank of Belvidere, Illinois, Belvidere, Illinois	15		
The Illinois National Bank & Trust Co., Rockford, Illinois	15		
Davenport Bank & Trust Co., Davenport, Iowa	60		90
<u>District No. 9.</u>			
Peoples State Bank, Plainview, Minnesota	3		3
<u>District No. 11.</u>			
First National Bank, Darrrouzett, Texas	1		
First National Bank, Mission, Texas	40		
First National Bank of Mount Vernon, Mount Vernon, Texas	1		
Citizens National Bank, Sour Lake, Texas	6		
The Angleton State Bank, Angleton, Texas	14		
Citizens State Bank, Greenville, Texas	1		
Huntsville Bank & Trust Co., Huntsville, Texas	3		66
	<u>Total</u>		<u>459</u>

Applications for SURRENDER of Stock:

<u>District No. 4.</u>			
The National Bank of Girard, Girard, Pennsylvania	111		
First National Bank, Greenup, Kentucky	39		150
<u>District No. 7.</u>			
National Bank of Niles Center, Niles Center, Illinois	90		
First National Bank, Montpelier, Indiana	45		
First National Bank, Marshall, Michigan	75		210

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Applications for SURRENDER of Stock: (Continued) SharesDistrict No. 11.Alamo National Bank,
San Antonio, Texas

480

480

District No. 12.First National Bank,
Olive, California

20

Capital National Bank,
Olympia, Washington

150

The Central National Bank of Commerce,
Seattle, Washington

150

320

Total1,160

Approved.

Thereupon the meeting adjourned.

Charles Moriel
Secretary.

Approved:

E. R. Blahy
Governor.