A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, March 1, 1934, at 3:00 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:

Telegram dated March 1, 1934, from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, advising that, at a meeting of the board of directors today, no changes were made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated February 27, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that, in view of the amount of work in the division, the temporary appointment of Mr. James F. Furbershaw be extended for an additional thirty days on the same terms as the previous employment.

Approved.

Letter dated February 28, 1934, approved by five members of the Board, to Mr. Sailer, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of February 23, 1934, advising that, subject to the approval of the Federal Reserve Board, your directors had granted to Mr. R. B. Wiltse, Assistant Manager of the Buffalo branch, a leave of absence with pay of approximately one month beginning March 1, 1934. According to the Board's records, the annual vacation period for officers of the Federal Reserve Bank of New York is one month, and it does not appear, therefore, that approval by the Board of the leave of absence granted Mr. Wiltse is required. Should his leave of absence be extended beyond March 31, the Board's advance approval should be obtained in accordance with..."
Letter to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"This is to advise you that after careful review of all of the data submitted in connection with the request of the Hyannis Trust Company, Hyannis, Massachusetts, for a reconsideration of condition numbered 22 prescribed in the Board's letter of November 14, 1933, the Board has reached the conclusion that the area in which the Head Office and Branch of the Hyannis Trust Company are located is in fact a single unincorporated village within the meaning and intent of Section 9 of the Federal Reserve Act. In such circumstances, condition numbered 22 as prescribed in the Board's letter dated November 14, 1933, to the Hyannis Trust Company is not applicable, and, therefore, is withdrawn.

"Please advise the Hyannis Trust Company and the Commissioner of Banks for the Commonwealth of Massachusetts accordingly."

Approved.

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

"Refer Dillistin's telegram February 27, 1934, re application 'The Bank of Elmira Heights', Elmira Heights, New York. Board grants an extension of time to March 29, 1934, within which the bank may accomplish its admission to membership. The application for membership was approved December 29, 1933, and in view of the lapse of time since the date of examination on 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 reducing its present capital stock of $60,000 or its surplus below $6,000, shall, 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 October 7, 1933, charge off or otherwise eliminate all other known losses and all depreciation in stocks, defaulted securities, and 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.
Telegram to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Refer Dillistin's telegram February 27, 1934, re application 'Watkins State Bank', Watkins Glen, New York. Board grants an extension of time to March 29, 1934, within which the bank may accomplish its admission to membership. The application for membership was approved on December 29, 1933, and in view of the lapse of time since the date of examination on 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 shall, 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 September 28, 1933, charge off or otherwise eliminate all other known losses and all depreciation in stocks, defaulted securities, and 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.

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

"Refer your telegram February 28, 1934, re application 'The Real Estate Trust Company', Philadelphia, Penna. Board grants an extension of time to March 29, 1934, within which the bank may accomplish its admission to membership."

Approved.

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

"Receipt is acknowledged of Lt. Swanson's letter of February 5, 1934, advising that the First National Bank, Centerville, South Dakota, had been deficient in its required reserve for practically every period since July, 1932. It is noted that the bank has promised that this situation will be corrected by the proceeds of loans refinanced through the Reconstruction Finance Corporation, and that it is expected that the bank's reserves will shortly be built up to legal requirements. In this connection, however, it is observed that on August 19, 1933, the President of the bank stated that every effort would be made to
"maintain a satisfactory reserve during the remaining days in August, and that relief was expected through the refinancing of loans through the Federal Land Bank. The record, however, shows that while the required reserve was maintained during August, 1933, in September the reserve again became deficient and has been deficient since that time. In view of the circumstances, the Board will take no action in the matter at this time other than to forward copies of Mr. Swanson's letter to the Comptroller of the Currency for his information. It will be appreciated, however, if you will keep the Board advised as to the reserve record of this bank.

"In the future, it will be appreciated if you will send all letters regarding deficiencies in reserve requirements as to national banks, together with any accompanying correspondence, in quadruplicate."

Approved.

Letter dated February 28, 1934, approved by four members of the Board, to the "Marion National Bank of Marion", Marion, 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.

"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."

Approved.

Letter to "The Greeley National Bank", Greeley, Colorado, 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 Colorado, 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 the fiduciary
powers as set forth above. A formal certificate covering such
authorization will be forwarded to you in due course."

Approved.

Letter to Honorable Leo T. Crowley, Chairman of the Federal Deposit
Insurance Corporation, reading as follows:

"It appears from letters received by the Federal Reserve Board that
a number of banks and bankers are in some uncertainty as to the require-
ments relating to the payment of deposits and interest thereon in view
of the differing provisions of the regulations of the Federal Deposit
Insurance Corporation and the Federal Reserve Board on this subject. In
this connection there is inclosed herewith a copy of a letter received
by the Board from the Assistant Deputy Governor of the Federal Reserve
Bank of Chicago together with copies of its inclosures, which mention
certain differences between the regulations of the Board and your Cor-
poration and point out the resulting competitive advantage to nonmember
banks of the Federal Reserve System.

"The Board has also received letters with reference particularly
to the period for which interest on time deposits at a rate of 3\% per
annum may be compounded. The Board understands that Regulation B issued
by your Corporation effective January 2, 1934, provided that no banking
institution whose deposit liabilities are insured by your Corporation
shall pay or contract to pay interest accruing after that date on any
deposit at a rate in excess of '3\% per annum compounded semi-annually'
with certain stated exceptions but that on January 17, 1934, this provi-
sion was amended so as to add after the words 'compounded semi-annually'
the words 'or quarterly at the option of the bank.' The Federal Re-
serve Board's Regulation Q prohibits the payment of interest by a mem-
ber bank on time deposits at a rate in excess of 3\% per annum compounded
semi-annually.

"It has been understood by the Federal Reserve Board that one of
the primary purposes of the regulations of the Federal Deposit Insurance
Corporation with respect to interest on deposits was to place banks
whose deposits are insured but which are not members of the Federal
Reserve System on an equal competitive basis in this respect with mem-
ber banks of the Federal Reserve System. The adoption of less restric-
tive provisions applicable to nonmember banks, however, than those with
which member banks of the Federal Reserve System are required to comply
places the latter at a disadvantage in competing with nonmember institu-
tions. The Federal Reserve Board feels that such a result is undesir-
able.

"In order that member banks of the Federal Reserve System may not
be at a disadvantage in competition with nonmember banks and also in
order to avoid uncertainty and confusion on the part of banks as to the
requirements under which they must operate, it is believed to be impor-
"tant that the regulations of the Federal Deposit Insurance Corporation should not be in conflict or out of harmony with those prescribed by the Federal Reserve Board pursuant to the power expressly conferred upon it by the provisions of Section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933. In the circumstances, it has occurred to the Board that your Corporation might be willing to give consideration to the advisability of the adoption of such amendments to its regulations on this subject as to make the requirements applicable to nonmember banks in this connection the same as those applicable to member banks or at least to eliminate the more substantial differences between such requirements. If your Corporation should look with favor upon this suggestion, the Board will be glad to have such members of its staff as may be required available for consultation and assistance to the members of your organization in an endeavor to reach a solution of this problem which will place member and nonmember banks on a substantially equal basis."

Approved.

Letter to the Federal Deposit Insurance Corporation reading as follows:

"There is inclosed herewith a letter addressed to the Federal Reserve Board by the Terryville Trust Company, Terryville, Connecticut, with regard to the period for which interest on time deposits at a rate of 3% per annum may be compounded. The Terryville Trust Company is not a member of the Federal Reserve System and, accordingly, the letter is referred to your corporation for reply. The writer has not been advised by the Federal Reserve Board of this reference."

Approved.

Letter dated February 28, 1934, approved by five members of the Board, to Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"There is inclosed herewith a copy of a memorandum dated January 17, 1934, addressed to the Board by the Comptroller of the Currency involving the question of the maintenance by a Federal reserve bank of the general account of a conservator after the redemption of the Federal reserve bank stock held by the bank with respect to which he is acting as conservator. Inasmuch as your bank has already expressed an opinion upon this question the Board wishes to benefit by any comments which you may care to make before sending a reply to the Comptroller; and in this connection there is inclosed a draft of a proposed reply which is under consideration by the Board."

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

### Applications for ORIGINAL Stock:

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Citizens National Bank at Belle Plaines, Belle Plaine, Iowa</td>
<td>36</td>
</tr>
<tr>
<td>8</td>
<td>National Bank of Commerce, Pine Bluff, Arkansas</td>
<td>66</td>
</tr>
<tr>
<td>9</td>
<td>The Iron River National Bank, Iron River, Michigan</td>
<td>42</td>
</tr>
</tbody>
</table>

**Total** 144

### Applications for SURRENDER of Stock:

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Cliffside Park National Bank, Cliffside Park, New Jersey</td>
<td>120</td>
</tr>
<tr>
<td>3</td>
<td>First National Bank &amp; Trust Company, Bedford, Pennsylvania</td>
<td>204</td>
</tr>
<tr>
<td>5</td>
<td>The Farmers &amp; Merchants National Bank, Onley, Virginia</td>
<td>150</td>
</tr>
<tr>
<td>8</td>
<td>The Farmers National Bank, Madisonville, Kentucky</td>
<td>30</td>
</tr>
<tr>
<td>10</td>
<td>The First National Bank of Douglas County, Castle Rock, Colorado</td>
<td>42</td>
</tr>
<tr>
<td>12</td>
<td>The First National Bank, Luray, Kansas</td>
<td>66</td>
</tr>
</tbody>
</table>

**Total** 603

Approved.
Thereupon the meeting adjourned.

Approved:

[Signature]

Governor.

[Signature]

Secretary.