

A meeting of the Federal Reserve Board was held in Washington on Saturday, March 17, 1934, at 12:00 noon.

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

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

The minutes of the meeting of the Federal Reserve Board held on March 8, 1934, were approved.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on March 9, 1934, were approved and the actions recorded therein were ratified unanimously.

The Board then considered and acted upon the following matters:

Telegram dated March 16, 1934, approved by four members of the Board, to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"Your letter March 13. Board approves for your bank rate of 4% per annum on advances to individuals, partnerships and corporations secured by direct obligations of United States under Section 13 of Federal Reserve Act, as amended, effective March 17, 1934. Before taking action on rate established on advances to individuals, partnerships and corporations under third paragraph of Section 13 of Federal Reserve Act, Board would like to have statement of reasons of directors for reducing rate."

Approved.

Letter dated March 15, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, advising that, at a meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

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Renewal bond in the amount of \$100,000, executed on March 1, 1934, by Mr. Isaac B. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco.

Approved.

Letter dated March 16, 1934, to Mr. Case, Chairman of the Federal Reserve Bank of New York, prepared in accordance with the action taken at the meeting of the Board on March 8, 1934, and approved by five members of the Board, as follows:

"As you know, Mr. Owen D. Young and Mr. Clarence M. Woolley, as members of the board of directors of the Federal Reserve Bank of New York, discussed informally with members of the Federal Reserve Board in Washington on February 16, 1934, the salaries of officers of the Federal Reserve Bank of New York, and the questions of administrative policy connected therewith, in view of the Board's action as set forth in its letter of January 23 with respect to salaries proposed for certain officers of the Federal Reserve Bank of New York for the year 1934.

"At a recent meeting of the Federal Reserve Board the situation with respect to these salaries was carefully reviewed in the light of the conference with Messrs. Young and Woolley. The Board is profoundly interested in having the highest type of management in the Federal reserve banks. It feels keenly that the duty of securing such management rests primarily with the board of directors of each Federal reserve bank; and the Board is reluctant to do anything or to take any action that in any degree would weaken the responsibility of the members of the boards of directors of the various banks for establishing and maintaining such management. At the same time the law explicitly provides that the salaries of officers and employees of the Federal reserve banks shall be subject to the approval of the Federal Reserve Board and therefore it is clear that the Board would not be performing its duty if it did not consider all salaries submitted in the light of its own responsibility. Consequently, it would seem that the Board should review such recommendations carefully in the light of the information available to it, not only as to the officers whose salaries are immediately under consideration, but also on the basis of a proper comparison of the duties and responsibilities and other aspects of the situation of such officers with those of other officers of equivalent status in other Federal reserve banks, since it must have been contemplated by the Congress that the Board should exercise its authority from the standpoint of the best interests of all of the Federal reserve banks.

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"During the course of the discussion of this matter by the Board the suggestion was made that some method be adopted by which proposed changes, at least with respect to those of an important character in salaries of officers of Federal reserve banks, might be considered somewhat informally in advance of the submission of definite recommendations of the boards of directors of the Federal reserve banks, so that the Board on the one hand might be informed more adequately as to the views and reasons of the directors of the Federal reserve banks, and on the other hand the directors might have an opportunity to ascertain the reasons that would impel the Federal Reserve Board to its conclusions with respect to their recommendations. The Board will give this suggestion careful consideration and endeavor to work out some practical course of action at a later date.

"After discussing all aspects of the matter at length, and giving full consideration to the conference had with Mr. Young and Mr. Woolley, the Board requested me to advise you that it has reached the conclusion that its previous action, as set forth in its letter of January 23, 1934, should remain unchanged. It will be appreciated if you will submit this letter to the board of directors of the Federal Reserve Bank of New York and advise the Federal Reserve Board of their action with respect to the salaries involved in the changes which were under consideration."

Approved.

Letter dated March 16, 1934, to Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, prepared in accordance with the action taken at the meeting of the Board on March 8, 1934, and approved by five members of the Board, as follows:

"Further reference is made to your letter of January 26, 1934, transmitting the request of the board of directors of the Federal Reserve Bank of Chicago that the Federal Reserve Board reconsider its action with regard to the salaries for the year 1934 recommended for Messrs. C. R. McKay, H. P. Preston, J. H. Dillard and A. L. Olson.

"At a recent meeting of the Federal Reserve Board the request of your directors was given careful consideration in the light of the information contained in your letter. The Board is profoundly interested in having the highest type of management in the Federal reserve banks. It feels keenly that the duty of securing such management rests primarily with the board of directors of each Federal reserve bank, and the Board is reluctant to do anything or to take any action that in any degree would weaken the responsibility of the members of the boards of directors of the various Federal

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"reserve banks for establishing and maintaining such management. At the same time, it seems to the Board that in the discharge of its responsibility under the Federal Reserve Act, it should consider carefully the recommendations of the directors as to salaries of officers of Federal reserve banks in the light of the information available to it, not only as to the officers whose salaries are immediately under consideration, but also on the basis of a proper comparison of the duties and responsibilities and other aspects of the situation of such officers with those of other officers of equivalent status at other Federal reserve banks, since it must have been contemplated by the Congress that the Board should exercise its authority from the standpoint of the best interests of all of the Federal reserve banks.

"During the course of the discussion of this matter by the Board the suggestion was made that some method be adopted by which proposed changes, at least with respect to those of an important character in salaries of officers of Federal reserve banks, might be considered somewhat informally in advance of the submission of definite recommendations of the boards of directors of the Federal reserve banks, so that the Board on the one hand might be informed more adequately as to the views and reasons of the directors of the Federal reserve banks, and on the other hand the directors might have an opportunity to ascertain the reasons that would impel the Federal Reserve Board to its conclusions with respect to their recommendations. The Board will give this suggestion careful consideration and endeavor to work out some practical course of action at a later date.

"After a full discussion of the request of your directors, the Board reached the conclusion that its action with regard to the salaries of the four officers referred to, as set forth in its letter of January 23, 1934, should remain unchanged and requested me to advise you accordingly. It will be appreciated if you will submit this letter to the board of directors of the Federal Reserve Bank of Chicago and advise the Federal Reserve Board of their further action with respect to these salaries."

Approved.

Letter dated March 16, 1934, approved by five members of the Board, to the board of directors of "The Wayne State Bank", Wayne, Michigan, 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.

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Telegram dated March 15, 1934, approved by three members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Refer your telegram March 14, 1934 re application 'The Yellowstone Bank', Laurel, Montana. In view of all the circumstances and your recommendation, the Board cancels condition numbered nineteen contained in its telegram to you of January 30, 1934 prescribed in connection with the bank's application for membership."

Approved.

Letter dated March 16, 1934, approved by five members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your letter of March 9, 1934, transmitting the request of the 'Deer Lodge Bank and Trust Company', Deer Lodge, Montana, for an extension of time to May 1, 1934, within which the bank may comply with the conditions of membership prescribed by the Board.

"In view of the circumstances and your recommendation, the Board extends until May 1, 1934, the time within which the Deer Lodge Bank and Trust Company may accomplish its admission to membership. The application of this bank for membership was based on an examination as of November 4, 1933, and in view of the lapse of time since that date, and in order to provide for any changes since that time, a new condition numbered 20 has been prescribed requiring the charge-off or elimination of all other known losses and of all depreciation in stocks, defaulted securities, and in securities except those in the four highest grades. In this connection, there are inclosed the original and two copies of a letter to the Deer Lodge Bank and Trust Company, and you are requested to forward the original to the bank, retaining one copy for your files and forwarding the other to the Superintendent of Banks for the State of Montana for his information."

Approved.

Letter dated March 16, 1934, approved by four members of the Board, to "The National Bank and Trust Company of Paris", Paris, Kentucky, reading as follows:

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"Effective if and when The National Bank and Trust Company of Paris, Paris, Kentucky, is authorized by the Comptroller of the Currency to commence business, the Federal Reserve Board approves the application filed on its behalf 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 Kentucky, 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.

"After the Comptroller of the Currency has authorized the national bank to commence business, the board of directors should adopt a resolution ratifying the action taken on its behalf in making application for permission to exercise trust powers, and it is requested that a certified copy of the resolution so adopted be forwarded to the Federal Reserve Board for its records as soon as possible. When a copy of such resolution has been received by the Board, a formal certificate covering the right of The National Bank and Trust Company of Paris, Paris, Kentucky, to exercise fiduciary powers will be forwarded to it."

Approved.

Letter dated March 16, 1934, approved by five members of the Board, to the "National Bank of Flint", Flint, Michigan, 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, guardian of estates and committee of estates of lunatics, 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.

"You are requested to have your board of directors adopt a resolution ratifying your application for permission to exercise trust powers, and it is requested that a certified copy of the resolution so adopted be forwarded to the Federal Reserve Board for its records as soon as possible. When a copy of such resolution has been received by the Board, a formal certificate covering your authority to exercise trust powers will be sent to you.

"The Board feels that if you are tendered any of the trusts now held by the First National Bank and Trust Company of Flint and the Union Industrial Trust and Savings Bank, Flint, Michigan, you should carefully scrutinize the condition of these trusts and

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"should not accept any of such trusts which, through their assumption, may be detrimental to the interest of your institution."

Approved.

Letter dated March 15, 1934, approved by four 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 Essex', Essex, Iowa, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with such portion of the bank's surplus as your office may require, shall be used in eliminating unsatisfactory assets and securities depreciation, all as set forth in your memorandum of March 5, 1934."

Approved.

Letter dated March 15, 1934, approved by three 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 Lapeer', Lapeer, Michigan, from \$120,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$75,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with a portion of the bank's surplus, undivided profits and reserves, shall be used to eliminate approximately \$85,346 of unsatisfactory assets, all as set forth in your memorandum of March 6, 1934.

"In considering the plan under which the reduction in common capital is to be effected, it was noted that on the basis of the report of examination of January 30, 1934, there will remain, unprovided for, securities depreciation in an amount sufficient to materially impair the bank's common capital. It is assumed, however, that you have this condition in mind and that as soon as it is feasible to do so, you will require such further corrections as may be practicable. The action referred to herein supersedes that of which you were advised in the Board's letter of January 22, 1934."

Approved.

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Letter dated March 15, 1934, approved by four 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 Okey-Vernon National Bank of Corning', Corning, Iowa, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation, that the released capital shall be used to eliminate unsatisfactory assets and securities depreciation, and that an additional \$50,000 in unsatisfactory assets shall be purchased for cash by certain stockholders of the bank, all as set forth in your memorandum of March 1, 1934."

Approved.

Letter dated March 16, 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 'Del Rio National Bank', Del Rio, Texas, from \$150,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$100,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate undesirable assets, all as set forth in your letter of March 8, 1934."

Approved.

Letter dated March 15, 1934, approved by four 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 Celeste', Celeste, Texas, from \$50,000 to \$35,000, pursuant to a plan which provides that the bank's capital shall be increased by \$15,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released

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"capital, together with a portion of the bank's undivided profits, shall be used to eliminate substandard assets and securities depreciation in the amount of approximately \$16,112, all as set forth in your letter of March 10, 1934."

Approved.

Letter dated March 13, 1934, approved by six members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"The Federal Reserve Board has given consideration to the recommendation contained in Mr. Young's letter of August 14, 1933, and to the statements made in his letter of November 3, 1933, and your letter of December 28, 1933, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to each of the 14 member banks listed below, all located in Chicago, effective with the first reserve computation period beginning after the date of this letter, to maintain a reserve with the Federal Reserve Bank of Chicago equal to not less than 10 percent of the aggregate amount of its demand deposits and 3 percent of the aggregate amount of its time deposits:

Hamilton State Bank	National Boulevard Bank
Lake Shore Trust & Savings Bank	National Security Bank
Lake View Trust & Savings Bank	Sears-Community State Bank
Liberty Bank	Skala State Bank
Merchandise Bank & Trust Company	State Bank of Clearing
Metropolitan State Bank	Upper Avenue Bank
Mid-City National Bank	Uptown State Bank

"Please advise each of the banks of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Federal Reserve Board at any time after appropriate notice to the member bank."

Unanimously approved.

Memorandum dated March 14, 1934, from Mr. Smead, Chief of the Division of Bank Operations, submitting for approval a draft of a letter to all Federal reserve agents, with regard to the condition reports of State member banks and their affiliates to be submitted at the time of the next call. The draft of letter was approved by four members of the Board on March 15, 1934.

Approved.

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Letter dated March 15, 1934, approved by four members of the Board, to Mr. Dillistin, Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letters of January 10 and January 19, in which you asked to be informed if the requirements of publication of affiliates' reports are cumulative and if it is intended that State member banks in New York State are to be required to publish all of the reports of their affiliates made to the Federal Reserve Board as of June 30, 1933, and as of all subsequent Board call dates, at the same time they publish their next report of condition at call of the New York State Banking Department. The answer to your inquiry has been delayed pending consideration of other questions pertaining to publication of affiliates' reports.

"It is not intended that requirements as to publication of affiliates' reports be cumulative; if the next call made by New York State authorities is coincident with a call by the Federal Reserve Board only affiliates' reports submitted in response to such call must be published, and if the next call by State authorities is not coincident with a call by the Board only affiliates' reports submitted in response to the last call by the Board preceding such call by State authorities must be published."

Approved.

Telegram dated March 16, 1934, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Reference your telegram 15th Seaboard National Securities Corporation. In view of nature and apparent purpose of guaranty involved in item 1 (d) of agreement between Corporation, Seaboard Company, and Seaboard National Bank, requirements of paragraph 3 (c) of agreement set forth in Board's Ancigar telegram of March 8, appear to be preferable to the pledge to bank of stock issued by such bank as collateral for such guaranty. Paragraph 3 (c) of agreement required by Ancigar telegram of March 8, does not require impounding of cash but would permit proper investment of applicable proceeds of Hollywood liquidation in readily marketable securities. Board has not been advised concerning any other uses to be made of proceeds of Hollywood liquidation which should have preference over uses required or permitted by agreement set forth in Ancigar telegram. From available information it is therefore not clear that paragraph 3 (c) would work hardship on Corporation and amendment of agreement accordingly seems unnecessary."

Approved.

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Letter dated March 15, 1934, approved by four members of the Board, to Mr. Francis A. Kline, President of The First National Bank of Port Jefferson, New York, reading as follows:

"This is in reply to your letter of March 8, 1934, requesting the Board to grant permits entitling certain individuals holding stock of your bank as trustees to vote the shares so held at a special meeting of stockholders to be held March 20, 1934. Each of the first two individuals referred to is represented as holding in trust five shares of such stock and the third as holding in trust twenty-four shares. It is understood that 1,000 shares of the stock of your bank are issued and outstanding at the present time.

"The only authority given to the Board to issue voting permits is contained in Section 5144 of the Revised Statutes of the United States, as amended, and this section empowers the Board to issue a voting permit only to a holding company affiliate. A holding company affiliate as defined in Section 2(c) of the Banking Act of 1933 is confined to a corporation, business trust, association or other similar organization which is in a position to exercise a controlling influence over a member bank in any one of certain ways specified in the definition. It seems clear from your letter that no one of the trustees referred to is a holding company affiliate within this definition and that the granting of a voting permit in the circumstances is neither authorized nor necessary."

Approved.

Letter dated March 16, 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. C. V. Truitt, for permission to serve at the same time as a director and officer of The La Grange National Bank, La Grange, Georgia, and as a director and officer of the Bank of Manchester, Manchester, Georgia.

Approved.

There were then presented the following applications for the surrender of stock of Federal reserve banks:

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<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 8.</u>		
The First National Bank of Olney, Olney, Illinois	60	
The First National Bank of Trenton, Trenton, Illinois	18	
The Second National Bank of New Albany, New Albany, Indiana	<u>240</u>	318
<u>District No. 9.</u>		
The Citizens National Bank of Faribault, Faribault, Minnesota	72	
The Farmers National Bank of Hendricks, Hendricks, Minnesota	20	
The National Bank of Hudson, Hudson, Wisconsin	36	128
	<u>Total</u>	<u>446</u>

Approved.

Thereupon the meeting adjourned.

Charles Moriel
Secretary.

Approved:

E. R. Black
Governor.