

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, March 20, 1934, at 2:30 p. m.

PRESENT: Mr. Hamlin, Presiding
Mr. James
Mr. Szymczak

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

The Committee considered and acted upon the following matters:

Telegram to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"Your telegram March 17. Board approves for your bank rate of 5% per annum on advances to individuals, partnerships and corporations under third paragraph of section 13 of Federal Reserve Act, as amended, effective March 20, 1934."

Approved.

Letter to Mr. Clark, Secretary of the Federal Reserve Bank of Atlanta, stating that, in accordance with the recommendation contained in his letter of March 9, 1934, the Board approves a change in the personnel classification plan of the New Orleans branch to provide for an increase in the salary range of the position of "steno-typist".

Approved.

Letter dated March 19, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged of Mr. Young's letter of March 14, 1934, with regard to new indebtedness incurred by employees in the Federal reserve agent's department of your bank.

"It is assumed that any arrangement made with bondholders by Mr. J. C. Taylor, an employee in your auditing department, whereby he may be relieved of the large debt shown in his statement, or other steps taken by him in the liquidation of his indebtedness, will be reported to the board of directors of your bank.

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"While Mr. Young does not so state, it is assumed from his letter that the advance of \$50.00 to Mr. Edward B. Ranck, an employee in your division of research and statistics, by the Personal Loan and Savings Bank of Chicago is in addition to the loan from that institution reported by Mr. Ranck as of January 1, 1934, and referred to in the Board's letter of February 9, 1934. It will be appreciated if you will forward to the Board a full statement of the circumstances surrounding the later loan and the date upon which it was made."

Approved.

Letter dated March 17, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"There is transmitted herewith for your consideration an application of the Peoples Trust & Guaranty Company of Hackensack, Hackensack, New Jersey, a member bank, for permission to establish and operate branches at Hasbrouck Heights, Lodi, and Teaneck, New Jersey.

"At the present time the Peoples Trust & Guaranty Company of Hackensack has no branches but it proposes to absorb and establish branches at the present locations of four affiliated member banks, namely, State Bank & Trust Company of Hackensack, Hackensack, New Jersey, Bank of Hasbrouck Heights, Hasbrouck Heights, New Jersey, First National Bank in Lodi, Lodi, New Jersey, and The Teaneck National Bank, Teaneck, New Jersey, which institutions are all located in Bergen County, and are controlled through the affiliated Hackensack Securities Company. Simultaneously with the absorption of the four affiliated banks the applicant proposes to change its corporate title to Peoples Trust Company of Bergen County.

"The Commissioner of Banking and Insurance of the State of New Jersey has indicated his approval of the establishment of the branches and the Federal Reserve Agent at New York recommends approval of the application.

"In view of the apparent satisfactory condition of the applicant bank after the proposed absorptions have been accomplished and the recommendation of the Federal Reserve Agent, the Federal Reserve Board recommends that you approve the establishment and operation of branches at Hasbrouck Heights, Lodi, and Teaneck, New Jersey, by the Peoples Trust & Guaranty Company of Hackensack, Hackensack, New Jersey, on condition that:

1. Prior to the establishment of such branches, approval for the establishment shall be obtained from the appropriate State authorities.
2. Prior to absorption by the Peoples Trust & Guaranty Company of Hackensack, the State Bank & Trust Company of Hackensack, the Bank of Hasbrouck Heights, the First National Bank in Lodi, and The Teaneck National Bank, if they have not already

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"done so, shall charge off or otherwise eliminate all losses shown in the latest report of examination of each such bank made by the respective supervisory authorities, all other losses and all depreciation on securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities.

3. Prior to the establishment of the branches, the Peoples Trust & Guaranty Company of Hackensack, if it has not already done so, shall charge off or otherwise eliminate all losses shown in the report of examination as of April 15, 1933, made by an examiner for the State of New Jersey, all other losses, and all depreciation on securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities.

"The attached file includes copies of the latest reports of examination of the five banks involved and a copy of the memorandum prepared by the Board's Division of Examinations. It will be appreciated if you will return this file when it has served your purpose and when you advise the Board of your action on the application described above."

Approved.

In connection with the above there was presented a telegram dated March 17, 1934, approved by five members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Referring your letter March 8, 1934, and subsequent correspondence, Board, in view of your recommendation and all circumstances involved will interpose no objection to absorption by Peoples Trust & Guaranty Company of Hackensack, New Jersey, of State Bank & Trust Company of Hackensack, New Jersey, Bank of Hasbrouck Heights, Hasbrouck Heights, New Jersey, First National Bank in Lodi, Lodi, New Jersey, and The Teaneck National Bank, Teaneck, New Jersey. Comptroller of Currency has approved establishment and operation of branches by Peoples Trust & Guaranty Company at Hasbrouck Heights, Lodi and Teaneck, New Jersey, on condition that:

1. Prior to the establishment of such branches, approval for the establishment shall be obtained from the appropriate State authorities.
2. Prior to absorption by the Peoples Trust & Guaranty Company of Hackensack, the State Bank & Trust Company of Hackensack, the Bank of Hasbrouck Heights, the First National Bank in Lodi, and The Teaneck National Bank, if they have not already

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"done so, shall charge off or otherwise eliminate all losses shown in the latest report of examination of each such bank made by the respective supervisory authorities, all other losses and all depreciation on securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities.

3. Prior to the establishment of the branches, the Peoples Trust & Guaranty Company of Hackensack, if it has not already done so, shall charge off or otherwise eliminate all losses shown in the report of examination as of April 15, 1933, made by an examiner for the State of New Jersey, all other losses, and all depreciation on securities other than those in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating and grading securities.

"Since branch to be established at location of State Bank & Trust Company will be within city in which Peoples Trust & Guaranty Company is located, Comptroller's approval of establishment and operation of such branch is not necessary.

"Board has given consideration to proposed distribution of stock of State Bank & Trust Company of Hackensack, Bank of Hasbrouck Heights, First National Bank in Lodi and The Teaneck National Bank by the Hackensack Securities Company in view of provisions of paragraph 7 of application for a voting permit executed by Hackensack Securities Company, and, in view of your recommendation and since it is understood that Hackensack Securities Company will be dissolved as soon as possible and that distribution of stock of banks referred to is a step in such contemplated dissolution, Board will interpose no objection to proposed distribution of stock of those banks by Hackensack Securities Company."

Approved.

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

"Receipt is acknowledged of Mr. Dillistin's letter of March 1, 1934 relative to the purchase of certain of the assets and assumption of the deposit and borrowed money liabilities, as at the close of business March 22, 1933, of the Essex Title Guaranty and Trust Company by the Montclair Trust Company, both of Montclair, New Jersey, and the purchase of assets and assumption of liabilities of the Peoples National Bank of Montclair by the Montclair Trust Company, as at the close of business August 31, 1933. From the information submitted, it would appear that the transaction between the Essex Title Guaranty and Trust Company and the Montclair Trust Company was consummated in a manner acceptable to the Board.

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"Mr. Dillistin's letter states that the transaction between the Peoples National Bank of Montclair and the Montclair Trust Company was approved by your counsel as to the legal phases. However, no comment was made as to whether or not the transaction has been considered by the Department of Banking and Insurance of the State of New Jersey and whether any objection thereto was raised by that department. It will be appreciated if you will develop this information at your convenience and advise the Board accordingly."

Approved.

Letter 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, advising that The First National Bank of Centerville, Centerville, South Dakota, had, as of February 28, shown a deficiency in its required reserves for each computation period during the six consecutive months prior to that date, but that you wish to reserve a definite recommendation as to procedure until the national bank examiner has had an opportunity to examine the bank and submit his new report of examination to your office. The Board will, therefore, take no action in the matter at this time, other than to forward copies of your letter to the Comptroller of the Currency for his information."

"Please keep the Board advised with reference to this situation."

Approved.

Letter to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"There is transmitted herewith for your consideration an application of the American Trust Company, San Francisco, California, a member bank, for permission to establish and operate a branch at Sacramento, California.

"The American Trust Company is the third largest banking institution in the State of California and at the present time is operating ninety branches of which thirty-four are located in the City of San Francisco, thirteen in Oakland, eight in Berkeley and thirty-five in outside cities, all of which are within a radius of one hundred miles of San Francisco.

"The City of Sacramento wherein the applicant bank desires to establish a branch is the capital of the State of California, has a population of 93,685 inhabitants and is located approximately ninety miles northeast of San Francisco. Two of the largest banking institutions in the City of Sacramento are in the process of liquidation and at the present time the city is served by five banks, one

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"being a branch of the Bank of America National Trust and Savings Bank of San Francisco.

"The American Trust Company proposes to sell \$7,500,000 of preferred stock to the Reconstruction Finance Corporation and simultaneously reduce its common capital stock from \$10,000,000 to \$7,500,000. The released capital funds of \$2,500,000, together with \$6,000,000 of surplus, are to be used for the purpose of eliminating \$4,500,000 of substandard assets and establishing reserves of \$4,000,000 according to a plan approved by the Superintendent of Banks of the State of California.

"The applicant was issued a license to operate a branch at Sacramento by the Superintendent of Banks of the State of California on September 27, 1933, and the Federal Reserve Agent at San Francisco has recommended approval of the application for permission to establish the branch. The application was filed in September, 1933, but consideration was deferred due to the lack of a report of a current examination, the latest report at that time being as of April 4, 1932.

"In view of the apparent satisfactory condition of the applicant bank after the proposed adjustments of its capital have been accomplished and the recommendation of the Federal Reserve Agent, the Federal Reserve Board recommends that you approve the establishment and operation of a branch at Sacramento, California, by the American Trust Company, San Francisco, California, on condition that:

1. Prior to the establishment of a branch at Sacramento, California, the American Trust Company, San Francisco, California, shall increase its capital through the introduction of new funds in an amount at least equal to \$7,500,000, and, without reducing the aggregate amount of its capital stock and surplus below \$19,000,000, shall charge off or otherwise eliminate, if it has not already done so, losses of \$7,216,655, on loans and other assets as shown in the report of an examination made by an examiner for the Federal Reserve Bank of San Francisco as of October 24, 1933, and all other depreciation on stocks, defaulted bonds, and on 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.

"The attached file includes letters dated September 27 and September 29, 1933, from Fred T. Elsey, President of the American Trust Company, to the Federal Reserve Agent at San Francisco, copy of a letter dated February 6, 1934, from the Superintendent of Banks of the State of California to the American Trust Company, report of examination by the State Banking Department as of October 24, 1933 (four volumes), report of credit investigation as of October 24, 1933, made by an examiner for the Federal Reserve Bank of San Francisco, and copy of a memorandum prepared by the Board's

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"Division of Examinations. It will be appreciated if you will return this file when it has served your purpose and when you advise the Board of your action on the application described above."

Approved.

Letter dated March 19, 1934, approved by five members of the Board, to the "Montpelier National Bank", Montpelier, Vermont, 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 Vermont, 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 dated March 19, 1934, approved by five members of the Board, to "The First National Bank of Elgin", Elgin, Illinois, reading as follows:

"Effective if and when The First National Bank of Elgin and the Elgin City Banking Company, both of Elgin, Illinois, are consolidated under the title of The First National Bank of Elgin, the Federal Reserve Board approves the application made on behalf of the consolidated institution 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 Illinois, 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. A formal certificate covering your authority to exercise trust powers will be sent to you upon receipt of satisfactory evidence that the consolidation

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"has been duly effected."

Approved.

Letter dated March 19, 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 the reduction in the common capital stock of 'The Bensonhurst National Bank of Brooklyn in New York', Brooklyn, New York, from \$200,000 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/or others, and that the released capital shall be used in eliminating estimated losses, depreciation in investment securities and/or doubtful values in assets, all as set forth in your memorandum of March 9, 1934."

Approved.

Letter dated March 19, 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 'Houston National Bank', Houston, Texas, from \$1,000,000 to \$750,000, pursuant to a plan which provides that the bank's capital shall be increased by \$500,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate a corresponding amount of undesirable assets, all as set forth in your letter of March 8, 1934."

Approved.

Telegram dated March 19, 1934, approved by three members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Referring application 'California Bank', Los Angeles, California. Board approves reduction in capital from \$5,000,000 to \$2,500,000 in accordance with plan set forth in Sargent's letter March 2, 1934 subject to approval of appropriate State authorities and providing none of the funds released by reduction in capital are returned to stockholders. Upon completion of the capital adjustment you are requested to advise the Board of the corrections effected by the bank and the location of branches now operated by

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"bank."

Approved.

Telegram dated March 17, 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:

"On the basis of the further information contained in telegram from Sargent dated March 16 Board approves certain changes in agreement to be executed by Seaboard National Securities Corporation as the condition of issuance of limited voting permit to that corporation and matter contained after letter 'C' in Board's Ancigar telegram to you dated March 8 is amended in the following three respects: First, paragraph 3(c) is deleted and there is substituted therefor 'The undersigned shall hold in reserve \$21,400 of the proceeds of such liquidation not actually used for the purposes enumerated under (a) and (b) above, or the balance of such proceeds should the balance be less than \$21,400, for the purpose of making good the undersigned's guaranty to The Seaboard National Bank of Los Angeles in item 1(c) of the agreement referred to in paragraph (1) hereof.' Second, new paragraph (5) is added reading as follows 'The undersigned shall pledge with The Seaboard National Bank of Los Angeles 2500 shares of the stock of that bank owned by the undersigned to secure the undersigned's guaranty to The Seaboard National Bank of Los Angeles in item 1(d) of the agreement referred to in paragraph (1) hereof.' Third, delete 'and' before (4) and insert 'and' before new paragraph 5."

Approved.

Letter dated March 19, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"Receipt is acknowledged of your letter of March 8, inquiring whether publication of the report of the affiliate of the Birmingham Trust and Savings Company, Birmingham, Alabama, will be necessary as of December 30, 1933, the circumstances being that the member bank did not realize at the time of the call that it had an affiliate within the terms of the Banking Act of 1933. Under the circumstances it will not be necessary for the report of the affiliate, submitted as of December 30, 1933, to be published."

Approved.

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Letter to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of Mr. Sargent's letter of February 7, 1934, inclosing reports of the affiliate of the Bank of Hoquiam, Hoquiam, Washington, as of June 30 and October 25, 1933. The report of this affiliate as of December 30, 1933, had already been received.

"According to the correspondence also inclosed with Mr. Sargent's letter the member bank's explanation of its failure to submit a report of this affiliate in response to the Board's calls as of June 30 and October 25 was that the affiliation was not understood to exist.

"Under such circumstances where a member bank fails to submit and publish an affiliate's report because the existence of an affiliation has not been recognized or determined, and where there is no evidence of attempt to evade the law, no practical purpose appears to be served by publication of reports as of dates anterior to the current call date, except as a disciplinary measure. The Board has ruled therefore that the requirement as to submission and publication of affiliates' reports need not be retroactive, and that in circumstances of this kind such submission and publication should ordinarily be required only as to current call dates."

Approved.

Letter dated March 19, 1934, approved by five members of the Board, to Mr. Edward M. Bradley, New Haven, Connecticut, reading as follows:

"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of The Union & New Haven Trust Company and as manager of the Edward M. Bradley & Co., Inc., both of New Haven, Connecticut.

"The Federal Reserve Board has reached the conclusion that it was the intent of the Congress in enacting Section 32 to terminate all relationships of certain types between member banks and dealers in securities, apparently because it felt that such relationships might tend to influence the banks' credit and investment policies and their advice to their correspondent banks and other customers in a manner which the Congress deemed to be incompatible with the public interest. The Board accordingly feels that it may not properly grant permits authorizing relationships which are actually of the kind referred to in that section, and that its authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the

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"literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

"It appears that Edward M. Bradley & Co., Inc., is engaged in underwriting, distributing and dealing in securities, and that therefore the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application, even though nothing has been called to its attention which would reflect in any degree upon your desirability as a director of the trust company, except that the relationship covered by your application is within the prohibitions of Section 32.

"In the event that you desire to submit further facts or arguments in support of your application, the Board is prepared to give them careful consideration. However, any such additional facts or arguments should be submitted as promptly as possible, in writing, through the Federal Reserve Agent."

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. 2.</u>		
The National Bank of Palisades Park, Palisades Park, New Jersey	75	75
<u>District No. 4.</u>		
The First National Bank at Stoyestown, Stoyestown, Pennsylvania	36	
The Mingo National Bank of Mingo Junction, Mingo Junction, Ohio	<u>36</u>	72
<u>District No. 11.</u>		
First National Bank in Edinburg, Edinburg, Texas	<u>36</u>	<u>36</u>
	<u>Total</u>	<u>183</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 4.</u>		
The First National Bank of Volant, Volant, Pennsylvania	11	11
<u>District No. 6.</u>		
The Parker Bank & Trust Co., Cullman, Alabama	5	

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<u>Applications for ADDITIONAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 6. (Continued)</u>			
The St. Augustine National Bank, St. Augustine, Florida		<u>30</u>	35
<u>District No. 10.</u>			
The First National Bank of Johnstown, Johnstown, Colorado		9	
The First National Bank of Anthony, Anthony, Kansas		1	
The Nebraska National Bank of Alliance, Alliance, Nebraska		2	
The First National Bank of Primrose, Primrose, Nebraska		6	
The First National Bank of Valentine, Valentine, Nebraska		8	
The First National Bank in Marlow, Marlow, Oklahoma		1	
The Central National Bank of Poteau, Poteau, Oklahoma		2	
The Leflore County Bank of Poteau, Poteau, Oklahoma		4	
The First National Bank of Stroud, Stroud, Oklahoma		8	
The First National Bank of Tipton, Tipton, Oklahoma		6	
Harlan County Bank, Alma, Nebraska		<u>1</u>	48
<u>District No. 12.</u>			
The First National Bank of Pleasanton, Pleasanton, California		5	
American National Bank of Idaho Falls, Idaho Falls, Idaho		60	
The First National Bank of Wenatchee, Wenatchee, Washington		<u>42</u>	107
		<u>Total</u>	<u>201</u>
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 2.</u>			
The First National Bank of Midland Park, Midland Park, New Jersey		45	
The Falls National Bank of Niagara Falls, Niagara Falls, New York		90	
First Trust & Deposit Company, Syracuse, New York		<u>240</u>	375
<u>District No. 3.</u>			
The National Bank of Olney in Philadelphia, Philadelphia, Pennsylvania		270	270

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<u>Applications for SURRENDER of Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 4.</u>			
The First National Bank of Bridgeville, Bridgeville, Pennsylvania	90		90
<u>District No. 8.</u>			
The First National Bank of Holly Grove, Holly Grove, Arkansas	18		
The New Albany National Bank, New Albany, Indiana	<u>120</u>		138
<u>District No. 9.</u>			
The State Bank of Townsend, Townsend, Montana	38		
The First National Bank of Gladstone, Gladstone, Michigan	36		
The Farmers National Bank of Hutchinson, Hutchinson, Minnesota	40		
The First National Bank of Pierre, Pierre, South Dakota	<u>43</u>		157
<u>District No. 10.</u>			
The First National Bank of Adams, Adams, Nebraska	37		
The Security National Bank of Randolph, Randolph, Nebraska	<u>36</u>		73
<u>District No. 11.</u>			
The First National Bank of Dalhart, Dalhart, Texas	72		
The Spur National Bank, Spur, Texas	75		147
	<u>Total</u>		<u>1,250</u>

Approved.

Thereupon the meeting adjourned.

E. Peter Moriel
Secretary.

Approved:

C. H. ...
Chairman, Executive Committee.