

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, March 23, 1934, at 4:20 p. m..

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Bethea, Assistant Secretary
Mr. Martin, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. Paulger, Chief of the Division
of Examinations
Mr. Smead, Chief of the Division of
Bank Operations

Assistant Secretary Carpenter reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on March 5, 1934, and that, in accordance with the usual practice, a call was made on behalf of the Federal Reserve Board on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was ratified.

The Committee then considered and acted upon the following matters:

Letter dated March 22, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegrams dated March 21, 1934, from Governor Young of the Federal Reserve Bank of Boston, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, March 22, 1934, from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, and March 23, 1934, from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, all advising that, at meetings of the boards of directors on the dates stated, no changes

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were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated March 21, 1934, approved by four members of the Board, to Mr. Buss, Assistant Deputy Governor of the Federal Reserve Bank of Chicago, reading as follows:

"Referring to your letter of March 1, the Federal Reserve Board approves the payment of a salary at the rate of \$3,300 per annum to Mr. Ray Hartney, who is temporarily employed as an electrician in the Service Department of the bank.

"It is noted from your letter that Mr. Hartney has already been in the employ of the bank for a period of six months and has been receiving a salary at the above-mentioned rate which is \$300 in excess of the maximum of the salary range for the position occupied. In the future, if it is proposed to hire an employee at a salary in excess of the salary range provided for in the personnel classification plan, the advance approval of the Federal Reserve Board should be obtained."

Approved.

Telegram dated March 22, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, referring to the application of the "Ambridge Savings & Trust Company", Ambridge, Pennsylvania, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Ambridge Savings & Trust Company, the Federal Reserve Bank of Cleveland is authorized to cancel such stock and make a refund thereon.

Approved.

Telegram dated March 22, 1934, approved by five members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, referring to the application of the "Monroe County Bank",

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Brinkley, Arkansas, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months' notice of intention to withdraw and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Monroe County Bank, the Federal Reserve Bank of St. Louis is authorized to cancel such stock and make a refund thereon.

Approved.

Letter dated March 21, 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:

"Receipt is acknowledged of Mr. Dillistin's letter of February 27, 1934, advising of the changes made in the capital accounts of the Manufacturers and Traders Trust Company, Buffalo, New York. It would appear that the sale of \$5,000,000 of capital debentures to the Reconstruction Finance Corporation has placed the capital structure of the institution in satisfactory ratio to its deposit liabilities. It is observed that the bank has set aside \$10,500,000 from its surplus and undivided profits accounts to provide for reserves and unallocated charge-offs.

"The analysis of the report of examination of the institution as at the close of business June 23, 1933, shows estimated losses of \$16,282,000 and depreciation in securities not classified as loss of \$822,000. The analysis shows that total depreciation in securities aggregated \$9,232,000 and, since the report of earnings and dividends of the bank for the six months period ending December 31, 1933, shows charge-offs of \$9,463,000 on securities, it would appear that adequate provision has been made for depreciation in securities as shown by the report of examination. The analysis, however, shows estimated losses of \$7,315,000 in loans while the report of earnings and dividends of the bank shows that during the period from January 1 to December 31, 1933, the bank charged off only \$651,000 on account of such losses and there is no evidence that the bank has provided for the estimated losses of \$557,000 in miscellaneous assets. The Board feels that a bank's published statement should reflect as nearly as possible the true condition of its assets and it will be appreciated if you will advise the Board as to what steps have been taken to effect the charge-off or elimination of the remaining assets classified as losses.

"It is stated that the bank's common capital stock was reduced from \$6,000,000 to \$5,000,000 and the surplus from \$3,500,000 to

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"\$3,000,000 by the retirement of 100 shares of common stock of \$10 par value at \$15 a share, the stock retired having been held by the bank as collateral security to loans, and being offset by agreement with the debtors. (It is presumed that the number of shares retired was 100,000 instead of 100 as shown in the letter.) Under the conditions of membership as prescribed by the Board upon the admission of The Fidelity Trust Company of Buffalo, the predecessor institution, it was not necessary for the subject bank to secure the permission of the Federal Reserve Board before reducing its capital stock. However, in view of the fact, as expressed in your memorandum of October 25, 1933, that there was a question as to the propriety of retiring the stock at a premium instead of at the par value, it will be appreciated if you will forward to the Board for its consideration copies of any amendments to the articles of incorporation of the bank in connection with the reduction and any approval thereof by the appropriate State authorities, and an opinion of your counsel as to the legality of the proceedings.

"The memorandum forwarded in connection with the analysis of the report of examination of the subject bank indicates that the bank and its affiliate, the M. & T. Securities Corporation, held 115,491 $\frac{1}{2}$ shares of the bank's stock, 26,843 shares of such stock being held in escrow as side collateral to loans in the bank. It will be appreciated if you will advise if the retirement of the 100,000 shares of stock satisfactorily eliminated all the shares held directly or indirectly as collateral to loans in the bank."

Approved.

Letter dated March 22, 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:

"Receipt is acknowledged of your letter of March 6, 1934, with which was inclosed copy of a letter dated March 5, 1934, addressed to you by Mr. J. Stewart Baker, Chairman of the Bank of the Manhattan Company, with further reference to the disposition of the stock held by that bank in The County Trust Company, White Plains, New York.

"Your letter and that of Mr. Baker have been considered by the Board and it grants to the Bank of the Manhattan Company an extension of time to October 1, 1934, in which to dispose of its holdings of stock in The County Trust Company of White Plains."

"It will be appreciated if you will keep the Board advised as to the progress of the bank in effecting the sale of this stock."

Approved.

Letter dated March 22, 1934, approved by five members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank

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of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of March 5, 1934, advising that The Fruit Growers National Bank and Trust Company of Smyrna, Smyrna, Delaware, has been deficient in its required reserves for six consecutive months.

"It is noted that efforts are being made by the bank to obtain additional capital, in which event the bank should be able to restore its reserves to the required amount and in view of these efforts and your recommendation, the Board will 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. It will be appreciated, however, if you will keep the Board advised as to the reserve record of this bank.

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

Approved.

Telegram dated March 21, 1934, approved by four members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Referring Sargent's letter March 12, 1934, Board will interpose no objection to the purchase by the California Bank, Los Angeles, California, on the terms outlined in its letter dated March 8, 1934, of the property located at Broadway and 60th Street, Los Angeles, to be used as quarters for branch office."

Approved.

Letter dated March 22, 1934, approved by four members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"This is to advise you that upon recommendation of the Federal Reserve Board, the Comptroller of the Currency has approved the application of the American Trust Company, San Francisco, California, to establish a branch at Sacramento, 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

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"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.

"Please advise the bank accordingly.

"A condition similar to the above will be prescribed with respect to the American Trust Company in connection with the granting of voting permits to American Company, Atlas Corporation, and Pacific Eastern Corporation, should such permits be granted. Consideration of the applications for such voting permits has been deferred, however, pending receipt of applications in proper form from Atlas Corporation and Pacific Eastern Corporation."

Approved.

Letter dated March 21, 1934, approved by four members of the Board, to the "Claremont National Bank", Claremont, New Hampshire, reading as follows:

"Reference is made to the application filed by you through the Federal Reserve Agent at the Federal Reserve Bank of Boston, 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, registrar of stocks and bonds, assignee, receiver, 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 New Hampshire, only in the specific trusts in which the Claremont National Bank, Claremont, New Hampshire, had been appointed and was acting on the date the Claremont National Bank was authorized by the Comptroller of the Currency to commence business, 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 the institution has been examined and a report of such examination is available."

Approved.

Letter dated March 22, 1934, approved by five members of the Board,

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

"Receipt is acknowledged of your supplemental memorandum of March 16, 1934, referring to the proposed capital reduction of The First National Bank of Glen Cove, Glen Cove, New York, which was approved by the Board February 15, 1934, and advising that the Reconstruction Finance Corporation has agreed to purchase only \$50,000 of preferred stock instead of \$75,000 as outlined in connection with the original plan in your memorandum of February 6, 1934.

"Inasmuch as the bank will have adequate capital in relation to its deposits and will be in a satisfactory liquid position, the Board approves the amended plan providing for the sale of only \$50,000 preferred stock, as set forth in your supplemental memorandum of March 16, 1934. It has been noted that there are no changes in that part of the plan as outlined in your original memorandum of February 6, 1934, which provides that the released capital, together with such portion of the bank's surplus, undivided profits and reserves for contingencies as your office may require, shall be used to eliminate substandard assets and securities depreciation."

Approved.

Letter dated March 22, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"The Federal Reserve Board approves a reduction in the common capital stock of 'The Third National Bank & Trust Company of Camden', Camden, New Jersey, from \$200,000 to \$150,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$50,000 preferred stock to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate substandard assets, all as set forth in your letter of March 5, 1934.

"In reviewing the information submitted it has been noted that, after completion of the adjustments as set forth in your letter of March 5, 1934, there will remain in the bank, on the basis of your examiner's report of January 16, 1934, depreciation in securities in an amount sufficient to cause a capital impairment of approximately \$44,000. While a reappraisal of the investment account as of March 13, 1934, reflects an improvement in values of approximately \$18,000, which would correspondingly reduce the capital impairment, and the ratio of unimpaired capital as compared to deposits appears adequate for the protection of depositors, the Board assumes that you will require further corrections to be made in the condition of the bank as soon as it is feasible to do so."

Approved.

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

"In accordance with Acting Comptroller Awalt's recommendation the Federal Reserve Board approves a reduction in the common capital stock of 'The Boatmen's National Bank of St. Louis', St. Louis, Missouri, from \$2,500,000 to \$2,000,000, pursuant to a plan which provides for the sale of \$500,000 of preferred stock to the Reconstruction Finance Corporation, and the use of the released capital to eliminate approximately \$200,000 substandard assets and/or securities depreciation and to increase reserves for contingencies by approximately \$300,000, all as set forth in Acting Comptroller Awalt's memorandum of March 21, 1934."

Approved.

Letter dated March 22, 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 the reduction in the common capital stock of 'The First National Bank of Elmore', Elmore, Minnesota, from \$50,000 to \$20,000, pursuant to a plan which provides that the bank's capital shall be increased by \$30,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used in eliminating approximately \$23,000 of unsatisfactory assets and in increasing the bank's surplus by approximately \$7,000, all as set forth in your memorandum of March 10, 1934."

Approved.

Letter dated March 22, 1934, approved by five members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Mercedes', Mercedes, Texas, from \$100,000 to \$75,000, 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 shall be used to eliminate or reduce undesirable assets, all as set forth in your letter of March 10, 1934."

Approved.

Letter dated March 22, 1934, approved by five members of the Board,

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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 Roxton', Roxton, Texas, from \$30,000 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 shall be used to eliminate or reduce unsatisfactory assets, all as set forth in your letter of March 13, 1934."

Approved.

Letter dated March 22, 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 Tulia', Tulia, Texas, from \$50,000 to \$35,000, pursuant to a plan which provides that the bank's capital shall be increased by \$35,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate or reduce undesirable assets, all as set forth in your letter of March 12, 1934."

Approved.

Telegram dated March 21, 1934, approved by four members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has considered the application of the "Rawlins Securities Company", Salt Lake City, Utah, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, entitling such organization to vote the stock which it owns or controls in "The Commercial National Bank of Saint Anthony", Saint Anthony, Idaho, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"To act upon a proposal for the creation and sale to the Reconstruction Finance Corporation or others of preferred stock of such bank having a par value of Fifteen Thousand Dollars (\$15,000)."

The telegram also authorized the agent to have prepared by counsel for

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the Federal reserve bank, and to issue to the Rawlins Securities Company, a limited voting permit in accordance with the telegram.

Approved.

Letter dated March 22, 1934, approved by five members of the Board, to Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board has reviewed the report of examination of the Federal Reserve Bank of Atlanta made as at the close of business November 18, 1933, copies of which were left with you and Acting Governor Johns.

"At the time of the examination as of November 7, 1931, recommendation was made that borrowings of banks in a seriously extended condition be placed on a member bank collateral note basis. It was stated at that time that the recommendation would be adopted. At the time of the following examination (November 12, 1932), the same recommendation was made, at which time the management advised that the matter would be given consideration and adopted in all instances when considered advantageous to the Reserve Bank. In the report of examination as of November 18, 1933, the examiner again discusses this question and states that the management of the Reserve Bank had advised that the borrowings of all licensed member banks would be reviewed and those in a seriously extended or otherwise unsatisfactory condition would be placed on a member bank collateral note basis. The Board would like to be advised as to the results of the review and as to the present policy of the Reserve Bank in this respect.

"On page 29 attention is called to the practice of the Reserve Bank of accepting, without count, currency which has been paid out by it in original packages and received back with the seals and wrapping apparently intact. The Board is pleased to note that the recommendation of its examiner has been adopted and that hereafter such packages of currency will be opened when received by the Reserve Bank and treated in the same manner as other currency tendered to it for deposit or exchange.

"The Board's examiner has called attention to several matters of criticism in connection with the operation of the Cash Department at the Head Office, indicating apparent lack of proper supervision of the department. The Board would appreciate advice as to what steps have been taken to correct the matters criticized and to improve the supervision of the department.

"On page 29 the examiner states that the management of the Hamilton National Bank of Knoxville, Tennessee has consistently refused to remit on the date of receipt by it for cash letters forwarded by the Nashville Branch in accordance with the terms of the circular letter of the Federal Reserve Bank of Atlanta dated September 2, 1930 (F-5).

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"This is a situation which should not, of course, be permitted unless a satisfactory explanation can be submitted which would justify the exception in this case. The examiner states that the management of the Reserve Bank advised him that its representative would call on the bank and endeavor to obtain an agreement from it to remit promptly for all cash letters forwarded and the Board would like to be advised as to the results of the visit and as to whether the bank is now promptly remitting for the cash letters.

"The Board is pleased to note that the recommendations of its examiner (page 31) have been adopted and that hereafter audits of the Transit Department will be enlarged in scope so as to include a control on incoming mail for a period of time subsequent to the date of the audit, and that audits of the Fiscal Agency Department will be enlarged in scope so as to provide for a checking of all subscriptions received.

"It has been noted that securities were being held in safekeeping by the Head Office and certain of its branches for the account of various receivers of closed banks, and it will be appreciated if you will advise the Board as to the nature of such safekeeping accounts. In this connection, the Board feels that, while there is no objection to retaining the securities held at the time of suspension of a member bank until the receiver has had an opportunity to make other arrangements, new deposits of securities should not be accepted. It has also been noted that securities were being held in safekeeping by the Head Office and certain of its branches for the account of various par remitting nonmember banks. While the examiner states that new deposits of securities for the account of such banks are not being accepted, the Board would appreciate advice from you as to the circumstances surrounding the acceptance of the securities now held for such banks.

"With respect to the comments on page 32 of the report made in connection with what is referred to as the Temporary Investment Account, the examiner has questioned the advisability of continuing the practice now followed of executing orders (purchases and sales) of Government securities for both member and nonmember banks through such account, rather than handling all such purchases and sales as an agent only. It will be appreciated if you will advise the Board whether, in your opinion, this service, which it is understood is made at a considerable cost to the bank, is justifiable. The Board questions the advisability of the rendition of this service to nonmember banks and will be glad to have an expression of your views on this subject.

"It has been reported that the Managing Director of the Nashville Branch was indebted to two member banks in Nashville, and that the Cashier of the Branch was also borrowing from a member bank in Nashville, and that each of the loans was classified as being slow. The Board's views with respect to the indebtedness of officers and employees of reserve banks are expressed in its letter dated April 29, 1933 (X-7425). The Board feels that this is a serious matter which should be brought to the attention of the directors if that has not already been done and the Board desires to be advised as to their views.

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"After the report and this letter have received the consideration of the board of directors of the Federal Reserve Bank, the Board would appreciate advice from you as to what action has been taken or will be taken on the matters discussed."

Approved.

Telegram dated March 21, 1934, approved by four members of the Board, to the governors and Federal reserve agents at all Federal reserve banks, reading as follows:

"As a number of Federal Reserve Banks have deposited lawful money with the United States Treasurer to reduce liability on Federal Reserve bank notes, the caption 'F. R. bank notes in actual circulation' now used in weekly press statement is somewhat misleading. Beginning with statement for March 21, therefore, the caption will be changed to read 'F. R. bank note circulation - net' and in Federal Reserve bank note section on last page of the statement the fourth line will be changed from 'In actual circulation' to 'In circulation - net' and a note will be appended to the caption reading as follows: Does not include \$_____ of Federal Reserve bank notes for the retirement of which Federal Reserve banks have deposited lawful money with the Treasurer of the United States."

Approved.

Letter to the governors of all Federal reserve banks except New York, reading as follows:

"As United States gold coin and gold certificates are not being paid out by the Federal Reserve banks and as the receipts of gold by the Federal Reserve banks can be ascertained from information reported on the reverse side of Form 34, the monthly reports on gold receipts and payments called for in Board's letter X-3991 of March 8, 1924, may be discontinued."

Approved.

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

"Regulation No. 7, issued by the Secretary of the Treasury on March 6, 1933, authorized banking institutions to create special trust accounts for the receipt of new deposits subject to withdrawal on demand without any restriction or limitation, provided such deposits

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"were kept separately in cash or on deposit in the Federal Reserve banks or invested in obligations of the United States. The same regulation also authorized the Federal Reserve banks to open special accounts on their books for member banks and temporarily for nonmember banks and to receive for credit in such accounts the proceeds of any special trust deposits held by such banking institutions.

"In the Board's telegram TRANS 1682 of March 18, 1933, the Federal Reserve banks were advised that, in the consolidated press statement of condition of Federal Reserve banks, the items 'Special deposits - member bank' and 'Special deposits - nonmember bank' would be inserted immediately preceding item 'Other deposits'.

"After careful consideration, the Board believes that there is now no good reason why the Federal Reserve banks should continue to accept from or carry special deposits for nonmember banks, regardless of whether such banks have been authorized to conduct normal operations or are still in the hands of conservators or similar state officials. Accordingly, you are requested to advise any nonmember banks in your district, for which such service is now performed, to make arrangements to liquidate their balances in special deposits with your bank not later than April 14, 1934.

"Beginning April 14 all collected fund balances standing to the credit of non-licensed member banks should be included in item 'Other deposits' on the daily balance sheet, form 34. The items 'Special deposits - member bank' and 'Special deposits - nonmember bank' will be eliminated from the published condition statement beginning April 18, and amounts of such deposits for the preceding week and for the corresponding week of the preceding year will be combined with 'Other deposits' in the consolidated statement."

Approved.

Telegram to Mr. Crane, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Board approves Federal Reserve Bank of New York expressing its willingness to earmark gold for account of Banco Central De Guatemala in accordance with plan outlined your telegram March 22, with understanding of course that transaction, if consummated, will be handled in accordance with regulations of Treasury Department. If transaction results in request from Banco Central De Guatemala to open account for them, matter should be submitted to Board in regular way."

Approved.

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

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"This refers to Mr. Dillistin's letter of October 19, 1933, and the inclosed application of the Jamaica National Bank, Jamaica, New York, for the cancelation of 117 shares of Federal Reserve bank stock, action on which was deferred pending a decision on a related question.

"It appears from the application that, since the last adjustment of its holdings of Federal Reserve bank stock (approved by the Board on March 4, 1930), the subject bank has decreased 'the value of' its capital by \$75,000 and its surplus by \$121,000, or by an aggregate of \$196,000, and the application shows that its capital on the date thereof was \$225,000 and its surplus \$29,000. According to our records, at the time of the last adjustment in the bank's holdings of Federal Reserve bank stock, the aggregate par value of its capital stock was \$300,000 and its surplus \$150,000. As you were advised on June 1, 1933, the Board has been informed by the office of the Comptroller of the Currency that on May 27, 1933, a certificate was issued approving an increase in the capital stock of the subject bank from \$300,000 to \$525,000 by issuance of 4,500 shares of preferred stock of \$50 par value which stock was sold locally at \$100 a share. The bank's December 30, 1933, condition report shows its capital account as follows:

Class A preferred stock, 4500 shares, par \$50)	
per share, retirable at \$100 per share)	\$251,612.13
Common stock, 3,000 shares, par \$100 per share)	---
Surplus	---
Undivided profits -- net	---
Reserves for contingencies	---

"It appears from the above that the aggregate par value of the bank's common and preferred stock is \$525,000 and that, therefore, there has been an increase of \$225,000 in its capital stock since the last adjustment in its holdings of Federal Reserve bank stock.

"As indicated in the Board's letter to you of February 28, 1934, in the case of the Athens National Bank, Athens, New York, applications for adjustment in holdings of Federal Reserve bank stock should be based upon the par value of common and preferred stock and on the amount of surplus shown on the bank's books. It is suggested, therefore, that the Jamaica National Bank, Jamaica, New York, be requested to submit an application for additional Federal Reserve bank stock on that basis."

Approved.

Letter dated March 21, 1934, approved by four members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"The Federal Reserve Board approves the application of The Fulton National Bank of Atlanta, Atlanta, Georgia, for 300 additional

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"shares of stock of the Federal Reserve Bank of Atlanta.

"The application, which is dated February 6, 1934, was held in abeyance awaiting receipt of notice from the office of the Comptroller of the Currency that the issue of \$500,000 of preferred stock by the bank, upon which the application was based, had been approved. In this connection, it is suggested that future applications, either for additional stock or for surrender of stock incident to a change in a member bank's capital stock, be submitted after the change has been authorized and effected, rather than in anticipation thereof."

Approved.

Letter dated March 22, 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 Federal Reserve Board approves the application of the liquidating committee of The Fletcher American National Bank of Indianapolis, Indianapolis, Indiana, for the cancelation of 2,760 shares of stock of the Federal Reserve Bank of Chicago outstanding in the name of that bank, with the understanding that, before the proceeds are paid to the American National Bank at Indianapolis, as requested by the liquidating committee, such payment will have the approval of counsel of your bank."

Approved.

Letter dated March 22, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Prior to the banking holiday the Board's Division of Bank Operations maintained current statistics relating to group and chain banking, as well as to branch banking, and it now desires to bring its records up to date and to assemble available data on the subject as of December 30, 1933. In this connection, it is felt that Schedules O and affiliates reports furnished by member banks as of December 30, 1933, would be of particular help.

"It will be appreciated, therefore, if your office will make available to the Division of Bank Operations Schedules O and reports of affiliates which accompanied the condition reports of National banks as of December 30, 1933.

"Also, in order that the Division of Bank Operations may bring its records of branch banking up to date, it will be appreciated if your office will make available to that Division at your early convenience the Reports of Condition of branches of

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"National banks submitted in response to the call of December 30, 1933.

"These reports will be returned to your office as soon as the necessary statistical data have been abstracted therefrom."

Approved.

Letter to Mr. H. L. Hemingway, President of the Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri, reading as follows:

"The Federal Reserve Board has given careful consideration to the plan submitted by you whereby you propose to divorce the securities business now done by the Mercantile-Commerce Company, a wholly owned subsidiary of your bank. The Board understands that you desire an expression of its views as to whether it could properly grant permits under the provisions of Section 32 of the Banking Act of 1933 covering correspondent relationships between your bank and a proposed new securities company and permits covering the service of certain directors and officers of your bank as directors of the new company.

"The plan contemplates the organization of a new corporation by five individuals now associated with the Mercantile-Commerce Company who would pay for the corporation's stock with the proceeds of loans from your bank which would be secured by the pledge of the corporation's stock. The corporation would continue the securities business now done by the Mercantile-Commerce Company, including the servicing of previous issues of the Mercantile-Commerce Company, and the business of the existing Mercantile-Commerce Company in the future would be limited to the holding of obligations of the United States Government, Federal Intermediate Credit Banks, Federal Land Banks, Federal Home Loan Banks, or the Home Owners' Loan Corporation.

"Without attempting to review the plan in detail, it has been observed particularly that: (1) The funds for the purchase of the capital stock of the proposed new corporation would be furnished by your bank, which would hold the corporation's stock as pledge. (2) Your bank would nominate two of seven directors of the corporation. (3) For a period of four years, a close and regular association between your bank and the corporation would exist which would involve a regular line of credit to the corporation and the servicing by the corporation without charge of certain securities purchased by your bank from or through Mercantile-Commerce Company. (4) The corporation for four years in effect would be operated for the benefit of your bank, since its net earnings, after payment of a 4 per centum dividend and creation of a reserve for taxes, would be used to purchase from your bank securities serviced by the corporation at prices which probably would be in excess of their market values. (5) For four years your bank would hold an option on the corporation's stock which might be exercised if the owning or holding

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"of such stock would again be lawful for your bank. (6) The shareholders of the corporation would agree that for a period of four years they would not permit it to increase its overhead expenses beyond a certain point.

"The contemplated relationship between your bank and the proposed new corporation would appear to constitute your bank a 'correspondent bank' of the corporation within the meaning of Section 32 of the Banking Act of 1933 and the Board's Regulation R, and likewise it would appear that the proposed corporation would be a 'correspondent dealer' of your bank. Such relationships are prohibited by Section 32 unless the Board issues permits therefor. Moreover, as you know, under the provisions of Section 32, no officer or director of your bank may lawfully serve at the same time as an officer, director or manager of the corporation unless the Board issues a permit therefor.

"It would seem from the information available that the contemplated relationship between your bank and the corporation would be a relationship of the type which Section 32 was enacted to terminate. Therefore the Board does not feel that it would be not incompatible with the public interest as declared by the Congress to grant applications covering correspondent relationships between your bank and the proposed securities company and applications by individuals for permission to serve at the same time as officers and directors of your bank and as officers, directors or managers of the corporation.

"The Board does not understand that there is presented for its determination at this time the question whether under the plan described above there will be compliance by the Mercantile-Commerce Bank and Trust Company with the requirements of Section 20 of the Banking Act of 1933 which forbids securities affiliates of member banks after June 16, 1934. However, it seems apparent from the facts contained in the plan described above that the trust company would not accomplish a termination of a securities business by an affiliate within the spirit and purpose of Section 20, even if it should be urged that it would accomplish a technical compliance with the terms of that section.

"Another question is presented by your plan. Under Division VIII, Mercantile-Commerce Company will sell to your bank all of its assets except certain bonds to be held by it and accounts receivable to be sold to the corporation. Since the assets which your bank will thus purchase include the corporate stocks now owned by Mercantile-Commerce Company, it would appear that the purchase of such stocks would violate Section 9 of the Federal Reserve Act, as amended, unless such stocks are of the type which a national bank may lawfully purchase."

Approved.

Letter dated March 22, 1934, approved by five members of the Board,

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

"This refers to your telegram of November 28 and letter of December 14, 1933, with regard to whether capital notes and debentures which form a part of the capital of a member bank may be included in determining the loan limit on any one individual loan by a member bank, and it is understood that you have reference to the limitation contained in Section 13 of the Federal Reserve Act with regard to the amount of paper of any one individual which may be rediscounted by a Federal reserve bank for a member bank.

"I regret that the pressure of other matters has prevented an earlier reply to your inquiry. However, a bill (S. 3025) which passed the Senate March 12, 1934, is pending in Congress and contains a proposed amendment to Section 9 of the Federal Reserve Act to the effect that for the purposes of membership of State banks and trust companies the terms 'capital' and 'capital stock' shall include the amount of outstanding capital notes and debentures legally issued by the bank and purchased by the Reconstruction Finance Corporation; and it would not seem appropriate for the Board to attempt to rule definitely as to whether capital notes or debentures may be included in determining the limitation on loans which may be rediscounted until it is determined whether such proposed amendment will be enacted into law."

Approved.

Letter dated March 21, 1934, approved by four members of the Board, to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"Receipt is acknowledged of your letter of March 14, 1934, from which the Federal Reserve Board notes with approval that Article V, Section 1, of the by-laws of your bank have been amended to provide for the closing of the bank at 2 p.m. on week days and 12 o'clock noon on Saturdays, instead of 3 p.m. and 1 p.m. respectively.

"In accordance with the further action taken by the board of directors of your bank at its meeting on March 9, 1934, advice of which was communicated in your letters of March 14, the Federal Reserve Board approves amendments to Article VI, Section 1, of the by-laws of your Houston and San Antonio Branches to provide for the closing of each of the branches at 2 p.m. on week days and 12 o'clock noon on Saturdays, instead of 3 p.m. and 1 p.m., respectively.

"Inasmuch as the Board has no recent copies of the by-laws

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"of your head office and San Antonio Branch, it will be appreciated if you will forward to the Board four copies each of these by-laws, as amended, for its files."

Approved.

Letter dated March 21, 1934, approved by four members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of February 23, 1934, regarding violations of the Federal Reserve Act and regulation Q with regard to the payment of interest on deposits. Such violations should be disclosed in the course of examination, and it is assumed that the examiners for the Reserve banks will make such investigations and checks of the records as are necessary to satisfy themselves that the provisions of the law and the regulations of the Board are being observed.

"You suggested in this connection that some more or less uniform plan should be adopted by examiners in examining member banks, both national and State. The Comptroller of the Currency has not issued any detailed instructions to his examiners regarding these matters, but has sent the following letter, under date of March 8, 1934, to the Board of Directors of each bank coming under his jurisdiction:

'If you are not already familiar with the provisions of the Banking Act of 1933, with respect to time deposits, savings deposits, payment of interest on deposits and Regulation Q of the Federal Reserve Board based thereon, it is essential that you familiarize yourselves with the requirements.

The examiners, of course, will in the performance of the duties imposed upon them by law, check the records of the bank to ascertain whether or not a deposit which is not strictly a thrift deposit is carried in savings; whether interest is paid in any way on demand deposits which are not exempt by law from this restriction; or a time deposit is paid before maturity.'

On the same date he forwarded the following letter to all national bank examiners:

'There is enclosed copy of a circular sent to all national banks, which is self-explanatory.

It will be necessary for you to check savings deposits to an extent, especially where in large amounts, sufficient to satisfy yourselves whether or not the law and regulations of

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"the Federal Reserve Board with respect to payment of interest, nature of savings accounts, and payment of time deposits, are being strictly observed."

"In answer to your inquiry regarding procedure for examiners in examining State member banks, you are advised that although occasionally the Federal Reserve Board has issued instructions as to the classification of assets and scope of examinations, the Board has never prescribed a general procedure for conducting the examinations of State member banks but has left the general procedure to be determined by the Federal Reserve Agent and his assistants charged with the responsibility of making the examinations."

Approved.

Letter dated March 22, 1934, approved by five members of the Board, to Honorable Duncan U. Fletcher, Chairman of the Committee on Banking and Currency of the United States Senate, reading as follows:

"This refers to the letter from the Acting Clerk of your Committee, dated March 13, 1934, inclosing a copy of S.3043, entitled 'A Bill To amend Section 25(b) of the Federal Reserve Act, as amended (relating to jurisdiction of Federal courts over suits involving Federal reserve banks)', and requesting a report thereon. The bill would repeal the provision of said Section 25(b) which confers upon the Federal courts jurisdiction over suits to which Federal reserve banks are parties.

"At one time the Federal courts had jurisdiction of suits by or against Federal reserve banks because of the fact that Federal reserve banks are incorporated under an Act of Congress. By Section 12 of the Act of February 13, 1925, which provides that no district court of the United States shall have jurisdiction of any action or suit by or against any corporation upon the ground that it was incorporated by or under an Act of Congress, except corporations in which the Government of the United States is the owner of more than one-half of the capital stock, United States district courts were deprived of jurisdiction of all suits by or against Federal reserve banks in the absence of a question involving the interpretation of the Constitution of the United States or of some Federal statute raised by the original pleading of the plaintiff. However, Congress recognized the desirability of returning to the Federal courts jurisdiction of suits to which the Federal reserve banks are parties, and by the Banking Act of 1933, approved June 16, 1933, it restored to the district courts of the United States jurisdiction of such suits by inserting in Section 25(b) the provision which it is now proposed to repeal less than one year after its enactment.

"If the proposed amendment should become law, the Federal reserve banks would be forced to defend in the State courts suits

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"which turn upon essentially Federal questions and which result in nationally important interpretations of the Federal Reserve Act. The provisions of the Federal Reserve Act or the regulations of the Federal Reserve Board are frequently the grounds upon which Federal reserve banks defend suits brought against them; but the fact that such questions are raised in the defendant's pleading is not a ground of jurisdiction in the United States district courts. Moreover, unlike national banks, the Federal reserve banks would not be able to remove suits brought against them by persons located in other States to the United States district courts on the ground of diversity of citizenship, because the Supreme Court of the United States has held that a Federal corporation is not a citizen of any State and there is no provision in the Federal Reserve Act similar to that in the National Bank Act providing that they shall be deemed citizens of the States in which they are located. In the circumstances, it appears that the proposed amendment to deprive United States district courts of jurisdiction of suits by or against Federal reserve banks would be prejudicial to the interests of such banks, and it is the opinion of the Board that its enactment is not desirable.

"It should be noted that the aforesaid Act of February 13, 1925, makes an exception in the case of corporations in which the Government of the United States is the owner of more than one-half of the capital stock; and it appears that a similar exception in the case of Federal reserve banks is both logical and proper, since they act as fiscal agents of the United States and perform certain functions of sub-treasuries as well as many other important functions of the Government.

"In view of the foregoing, the Board does not favor the enactment of the bill, S.3043."

Approved.

Letter dated March 22, 1934, approved by five members of the Board, to Honorable Duncan U. Fletcher, Chairman of the Committee on Banking and Currency of the United States Senate, reading as follows:

"This refers to the letter from the Acting Clerk of your Committee, dated March 10, 1934, inclosing a copy of S. 3009, entitled 'A Bill To amend Section 5219 of the Revised Statutes, as amended', and requesting a report thereon. The bill would establish a new basis for the State taxation of national banking associations and the shares thereof.

"The taxation of national banks is a subject of great complexity and, since the matter is one which does not come within the jurisdiction of the Federal Reserve Board, the Board does not have knowledge of the judicial history of the present law or other information sufficiently adequate to enable it to determine whether the proposed amendment to establish a new basis for

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"the State taxation of national banking associations and their shares is desirable. Accordingly, it does not feel prepared to express an opinion on that subject."

Approved.

Letter dated March 22, 1934, approved by five members of the Board, to Honorable Duncan U. Fletcher, Chairman of the Committee on Banking and Currency of the United States Senate, reading as follows:

"Receipt is acknowledged of the letter from the Acting Clerk of your Committee, dated February 16, 1934, requesting a report on S.2788.

"It appears that this bill was reported favorably by your Committee on March 12, 1934, and, therefore, it is assumed that no report thereon from the Federal Reserve Board will be expected."

Approved.

Letter dated March 22, 1934, approved by five members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Consideration has been given to the application under the Clayton Act of Mr. John S. Dutton for permission to serve at the same time as a director of the First National Bank of Butte, Montana, and as officer of the Bank of America N. T. & S. A., and the Bank of America (State bank), both of San Francisco, California.

"When the application was originally submitted it was found that the report of examination of the First National Bank of Butte showed that the applicant had attended none of the directors meetings since the previous examination and that the examiner stated that the directors, other than the active officers, were 'figure heads.' Accordingly, the Board requested your office to review the application in the light of these facts, and to consider various factors which might have a bearing upon the question of compatibility with the public interest. Mr. Bailey's reply to this letter stated that the inclusion of the applicant's name in the directorate of the bank would have a good influence, and that the favorable recommendation which accompanied the application had been confirmed by the executive committee of the Federal Reserve bank.

"No final action was taken by the Board upon the application. Subsequently, however, the Board's policy with respect to the question presented was specifically referred to in its revised Regulation L. See Section V(d) (4) of that Regulation.

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"The most recent report of examination of the First National Bank of Butte also shows that the applicant attended no meetings since the previous examination and also indicates that the applicant is merely a 'figurehead'. Therefore, on the basis of the information before it, the Board does not feel that it may properly grant the application, and, unless you feel that there are additional matters which should be considered by it, you are requested to advise the applicant of the Board's conclusion.

"In the event that the applicant desires to submit further facts or arguments in support of his application, the Board is prepared to give them careful consideration. However, such additional facts or arguments should be submitted to you in writing as promptly as possible.

"No action has been taken upon the application with respect to the applicant's service to the two banks in San Francisco, and action thereon will be deferred pending receipt of a reply to this letter."

Approved.

Governor Black stated that he had appeared before the Banking and Currency Committee of the Senate this morning in connection with the so-called stock exchange bill at which he had read the following statement which previously had been approved by all of the appointive members of the Board except Messrs. James and Thomas:

"The staff of the Federal Reserve Board conferred for a week with representatives of the Treasury and with Mr. Pecora, Mr. Corcoran and Mr. Cohen, Attorneys, in reference to the provisions of the National Securities Exchange Act of 1934. Governor Black participated in some of these conferences, was in close touch with all of them, and kept the members of the Board fully advised. During these conferences the attitude of the Board was requested and the following expression of this attitude was given:

"The Board is in thorough accord with the following purposes of the bill:

- "(1) To regulate National Securities Exchanges to the end that they may operate under fair practices only.
- "(2) That speculation be properly curbed and dishonest speculation be eliminated.
- "(3) That exchange credit be properly restrained and the undue use of credit in speculation be prevented.
- "(4) That necessary penalties be enacted to guarantee the accomplishment of these purposes.

"The Board is not primarily concerned with the features of the bill with regard to the policing or regulating of the exchange, but

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"feels that these features should be fair and in accord with established American business principles.

"If it is desired the Board will be glad to undertake the responsibilities of the bill regarding the fixation of marginal requirements upon loans based upon exchange equities, whether the loans are made by brokers or banks, provided power is vested in the Board to handle this subject in the public interest and to the protection of the investor. This function would usefully supplement the considerable powers vested in the Board under the Banking Act of 1933 to prevent the undue use of credit for speculative purposes and would in the judgment of the Board furnish effective protection against the economic evils of speculation.'

"During these conferences very many changes in the original bill were recommended by the Federal Reserve staff. These recommendations were followed in substance and changes were made in the bill, and the bill was greatly improved in order to properly effectuate its purposes.

"The bill known as H. R. 8720 introduced in the House by Mr. Rayburn embraces these recommended changes. It is the feeling of the Reserve Board that the revised bill H. R. 8720 is workable, is right in principle, and will accomplish the purpose of regulating National Securities Exchanges under fair practices and that undue and excessive speculation will be properly curbed, and that exchange credit will be properly restrained and the undue use of credit in speculation be prevented. The Board is therefore prepared to approve the bill as revised.

"The Board requests the privilege of making such further constructive suggestions as to the bill as may appear necessary or desirable as the result of the further study of the bill, and this request applies especially to questions affecting technical operations of the exchanges covered by the bill."

He also stated that in connection with the provisions of the bill regarding margin requirements he had advised the committee, in accordance with the informal agreement of the members of the Board yesterday, that the Board approved the provisions of the bill as drawn and felt that the most satisfactory way of dealing with the matter of margin requirements was for Congress to establish requirements subject to change by the Federal Reserve Board within certain limits.

Governor Black also reported that while at the hearing he had called attention to the report on member bank reserves submitted by the

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Committee on Bank Reserves of the Federal Reserve System in 1931 and approved by the Federal Reserve Board in its report of March 29, 1932, on the Glass bill; that he had read to the Banking and Currency Committee a statement prepared by Mr. Goldenweiser, Director of the Division of Research and Statistics, on this matter; and that he had stated to the Committee that it would be appreciated by the Board if the Committee would consider, in connection with the stock exchange bill, the recommendation of the Committee on Bank Reserves with the idea of incorporating in the stock exchange bill an amendment to Section 19 of the Federal Reserve Act, which would give effect to the committee recommendation, and, if that procedure were not feasible, it would be appreciated if the committee would consider and recommend the enactment of legislation at an early date to put the proposed reserve requirements into effect as a safeguard against speculation and to afford an automatic control of credit which is not now available to the Federal Reserve Board and the Federal reserve banks.

Governor Black added that he had appeared before the Committee on Interstate and Foreign Commerce of the House of Representatives this afternoon and had made the same statements before that committee with regard to the stock exchange bill as he had made during the morning before the Senate Banking and Currency Committee.

In this connection, Mr. Smead stated that Senator Gore had discussed over the telephone with him the question of the revision of reserve requirements as to member banks as recommended by the Committee on Bank Reserves; that Senator Gore had stated that he was very much

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in sympathy with the recommendation, but had considerable doubt in his mind as to whether it should be a mandatory requirement to be applied uniformly to all banks in the United States; but that it might be desirable to insert a provision in the bill proposed by the committee which would enable the Federal Reserve Board to apply the changed requirements to any member bank or banks, or to any city or section of the United States; and Senator Gore requested that the Board's Counsel prepare a draft of such an amendment for his consideration. Mr. Smead stated that he saw no objection to complying with the request.

Counsel was requested to draft an amendment in accordance with Senator Gore's request for the consideration of the members of the Board.

At Governor Black's suggestion, Counsel was also requested to make such changes in the proposed amendment to Section 19 of the Federal Reserve Act recommended in the report of the Committee on Bank Reserves as may be necessary because of changes in the law since the committee report was submitted, and the Secretary was requested to send to each member of the Banking and Currency Committee of the Senate copies of the report of the Committee on Bank Reserves, the proposed amendment to Section 19 of the Federal Reserve Act as changed by Mr. Wyatt, and the statement prepared by Mr. Goldenweiser.

There was presented a memorandum dated March 20, 1934, previously circulated among the members of the Board, from Mr. James, as the Board's appointee on the Board of Trustees of the Retirement System of the Federal Reserve banks, and Mr. Van Fossen, elected by the employees of the Federal Reserve Board as a member of the Board of Trustees, reporting on the meeting of the Board of Trustees in Chicago on March 14 and 15, 1934, and recommending that, in accordance with the action taken at the meeting:

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(1) The Board defray for one year from March 1, 1934, the traveling and subsistence expenses of its appointee and the member elected by its employees on the Board of Trustees and that it approve similar action on the part of the Federal reserve banks as regards the expenses of the representatives of the respective Federal reserve banks and their employees on the Board of Trustees or of any committees of the Retirement System.

(2) That the Federal Reserve Board adopt the requirement of a physical examination for all persons who become employees of the Federal Reserve Board in the future, and

(3) That the Secretary and Assistant Secretary be authorized to secure the services of a competent physician to make such examinations.

The Secretary was requested to prepare a letter to the chairmen of all Federal reserve banks stating that the Board has authorized the payment of the expenses of its appointee and of the member elected by its employees, and has approved the payment by the respective Federal reserve banks of the expenses of the representatives of the banks and their employees, on the Board of Trustees or any committee of the retirement system of which they may be members, for one year from March 1, 1934.

The members present expressed agreement with the recommendation that all new employees of the Board be required to pass a physical examination and the Secretary was requested to obtain, for the consideration of the Board, a list of physicians engaged by the leading insurance companies to make such examinations in Washington.

Reference was then made to a memorandum prepared under date of March 2, 1934, by the Division of Examinations in accordance with the action taken at the meeting of the Board on February 23, 1934, in connection with the report on economic and financial conditions in Puerto Rico submitted by Mr. J. W. Pole, Special Adviser to the Board. The report of the Division of Examinations, which had been read by the appointive members of the Board, expressed the opinion that the Board would not be justified at this time in extending membership in the Federal Reserve System to native banks operating in Puerto Rico.

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After discussion, Mr. James moved that the Board take the position that, on the basis of the reports submitted by Mr. Pole and the Division of Examinations and other information available to the Board, it would not be desirable to extend the privilege of membership to banks in Puerto Rico at the present time and under existing conditions.

Carried, and the Secretary was requested to prepare, for the consideration of the Board, a letter to the Federal Reserve Agent at the Federal Reserve Bank of New York advising accordingly.

Mr. Morrill stated that a cablegram had been received by Mr. Pole from the Credito y Ahorro Ponceño, Ponce, Puerto Rico, requesting that there be forwarded to the bank the necessary papers for making application for membership in the Federal Reserve System.

It was suggested that the bank should be advised of the position of the Board with regard to membership of banks in Puerto Rico and that if, notwithstanding that position, the bank still desires to file an application for membership, the Federal Reserve Bank of New York will be requested to forward the necessary blanks.

Attention was called to the inquiries which had been received from banks in Alaska and Hawaii regarding membership in the Federal Reserve System, and Mr. Wyatt stated that he understood that the Reconstruction Finance Corporation was making plans to send a committee to the Virgin Islands to consider the desirability of establishing a bank there, in the stock of which the Reconstruction Finance Corporation would invest, and that it was proposed as one of the conditions of the establishment of the bank that it become a member of the Federal Reserve System.

At the conclusion of the ensuing discussion, Governor Black stated that he would take up immediately with Governor Calkins of the Federal Reserve Bank of San Francisco the question whether it would be desirable to send Mr. Pole to Alaska and Hawaii for the purpose of making a study of economic and financial conditions in those territories for the

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information of the Federal Reserve Board in connection with the consideration of inquiries concerning membership in the Federal Reserve System received from banks in the territories.

It was also understood that Mr. Martin would discuss with the Reconstruction Finance Corporation the plans for the establishment of a bank in the Virgin Islands and report to the Board on the matter in order that it may reach a decision as soon as possible as to whether Mr. Pole should be sent to the Virgin Islands to make a survey of conditions there.

Reference was made to the action taken by the Board at the meeting on December 27, 1933, in agreeing to carry on its payroll for a further three months period, Miss Jeanette Oliphant, Mrs. Mary White and Mrs. Irma Smoot, money counters in the Federal Reserve Issue and Redemption Division who had been assigned to the Issue Division of the Office of the Comptroller of the Currency, in order to afford the Comptroller an opportunity to make arrangements for the transfer of the three employees to the payrolls of his office, and Mr. Morrill stated that he had discussed this matter recently with Deputy Comptroller of the Currency Awalt, who had advised that he did not see how these employees could be taken care of on any payroll of the Comptroller's office; and that if the employees are removed from the Board's payroll it will result in their being thrown out of employment. In the discussion which ensued it was suggested that before any action is taken the matter should be discussed with the Comptroller of the Currency.

Action on the matter was deferred for consideration at a meeting of the Board early next week when Mr. O'Connor, Comptroller of the Currency, is present, and it was understood that in the meantime Mr. Morrill would discuss the matter with Mr. O'Connor.

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There was presented a memorandum dated March 16, 1934, from Mr. James, referring to the action taken at the meeting of the Board on August 29, 1933, in approving the action taken by the Federal Reserve Agents' Conference on August 16 in voting to continue for one year from July 1, 1933, the payment of a fee of \$10.00 for each report of examination of a national bank furnished to the Federal reserve banks by the Comptroller of the Currency. The memorandum recommended that the Secretary of the Board be requested to take the matter up with the Comptroller's office in order that the necessary steps may be taken by the Comptroller, in accordance with the understanding at the meeting of the Board on August 29, to set up an organization for the purpose of making thorough examinations of trust departments of national banks for which an adequate charge will be made, and so that the Comptroller's office may be prepared to return, as of July 1, 1934, to the regular charge of \$5.00 for each copy of report of examination furnished by the Comptroller of the Currency to the Federal reserve banks.

Action on Mr. James' suggestion was deferred until a meeting of the Board at which the Comptroller of the Currency is present, and it was understood that prior to the meeting the Secretary would bring the matter to the attention of Mr. O'Connor.

There was then presented a letter dated March 12, 1934, from Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, referring to the Board's letter of March 7 to Mr. Philip Lehman, and transmitting a copy of a letter dated March 9 from Mr. Robert Lehman, son of Mr. Philip Lehman, requesting that the latter be given a hearing before the Board with regard to his application under Section 32 of the

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Banking Act of 1933 for permission to serve at the same time as a director of the Corn Exchange Bank Trust Company and as a partner in the firm of Lehman Bros., New York. Mr. Case's letter stated that, as this matter is one of primary importance, he would urge that Mr. Lehman's request be granted.

The Secretary was requested to advise Mr. Case that the Board will be glad to meet with Mr. Lehman on Tuesday, March 27, 1934, at 11:00 a.m.

Reference was made to a memorandum submitted by Messrs. Hamlin and Thomas as members of the Committee on District No. 3, under date of March 10, 1934, and circulated among the members of the Board, recommending that an invitation be extended to the board of directors of the Federal Reserve Bank of Philadelphia to come to Washington, or to send a committee representing the directors, for the purpose of conferring with the Board with regard to the executive personnel of the bank and particularly the question as to the need of an additional executive officer with practical experience and training in commercial banking.

The Secretary was requested to confer with Mr. Austin, Chairman of the board of directors of the Federal Reserve Bank of Philadelphia, and arrange a date for a meeting of the directors, or a committee thereof, with the Federal Reserve Board.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 3.</u>		
The National Bank of Olyphant, Olyphant, Pennsylvania	72	
Peoples National Bank in Lakewood, Lakewood, New Jersey	<u>75</u>	147

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<u>Applications for ORIGINAL Stock: (Continued)</u>		<u>Shares</u>	
<u>District No. 8.</u>			
The Citizens National Bank of Camden, Camden, Arkansas	66	66	
	<u>Total</u>	<u>213</u>	
 <u>Applications for SURRENDER of Stock:</u>			
<u>District No. 3.</u>			
The First National Bank of Gratz, Gratz, Pennsylvania	120		
The First National Bank of Herndon, Herndon, Pennsylvania	<u>75</u>	195	
 <u>District No. 4.</u>			
The Farmers & Mechanics National Bank of Mercer, Mercer, Pennsylvania	96		
The Grange National Bank of Spartansburg, Spartansburg, Pennsylvania	<u>30</u>	126	
 <u>District No. 5.</u>			
The First National Bank of Coeburn, Coeburn, Virginia	81	81	
 <u>District No. 6.</u>			
The First National Bank of Jacksonville, Jacksonville, Alabama	15	15	
 <u>District No. 7.</u>			
Peoples Savings Bank, Coopersville, Michigan	22		
The Cumberland County National Bank of Neoga, Neoga, Illinois	36		
The First National Bank of Urbana, Urbana, Illinois	60		
The First National Bank of Humboldt, Humboldt, Iowa	45		
The First National Bank of Newell, Newell, Iowa	27		
The First National Bank of Greenwood, Greenwood, Indiana	<u>39</u>	229	
 <u>District No. 8.</u>			
The First National Bank of Grayville, Grayville, Illinois	45		
The National Bank of Shawneetown, Shawneetown, Illinois	24		
First National Bank of Boonville, Boonville, Indiana	81		
The First National Bank in Webster Groves, Webster Groves, Missouri	<u>69</u>	219	

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<u>Applications for SURRENDER of Stock: (Continued)</u>	<u>Shares</u>	
<u>District No. 10.</u>		
The First National Bank of Green, Green, Kansas	18	18
<u>District No. 11.</u>		
The Commercial National Bank of San Antonio, San Antonio, Texas	216	216
<u>District No. 12.</u>		
The First National Bank of Torrance, Torrance, California	60	
The First National Bank of North Bend, North Bend, Oregon	81	141
	<u>Total</u>	<u>1,240</u>

Approved.

Thereupon the meeting adjourned.

Robert Morice
Secretary.

Approved:

E. R. Blady
Governor.