

A meeting of the Federal Reserve Board was held in Washington on Thursday, April 5, 1934, at 4:45 p. m.

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

Mr. Morrill, Secretary

The minutes of the meetings of the Federal Reserve Board held on March 28 and April 2, 1934, were approved.

The Board then considered and acted upon the following matters:

Telegrams dated April 4, 1934, from Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and April 5, 1934, from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, all advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated April 3, 1934, from Mr. Noell, Assistant Secretary, recommending that Mr. L. L. Ball, telegraph operator, be granted an additional leave of absence of 15 days, beginning April 2, 1934, on account of illness.

Approved.

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

"Board has approved appointment on its staff of Mr. Gray

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"Williams subject to his passing a satisfactory physical examination. Mr. Williams is in New York City and Board would appreciate it if you could arrange to have your bank physician examine Mr. Williams and submit direct to Board letter report similar to report submitted to insurance company on examinations for life insurance. Report should state whether, on basis of examination for ordinary life insurance at normal rate, physician approves applicant for employment by Federal Reserve Board. If unfavorable, report should state unsatisfactory conditions which could be corrected and if approval would be given upon correction of these conditions. If such arrangement can be made, please advise when and where Mr. Williams should report; also amount of physician's fee, if any, which should not exceed fee regularly charged in New York for examination for ordinary life insurance."

Approved.

Telegram to Mr. Worthington, Deputy Governor of the Federal Reserve Bank of Kansas City, reading as follows:

"Board has approved appointment on its staff of Mr. Joseph T. Owens subject to his passing a satisfactory physical examination. Mr. Owens is in Kansas City and Board will appreciate it if you will make careful selection of physician in Kansas City to examine Mr. Owens and to submit to you letter report similar to report submitted to insurance company on examinations for life insurance. Upon receipt of report by you Board should be advised by wire of result of examination and report should be forwarded to Board by mail. Report should state whether, on basis of examination for ordinary life insurance at normal rate, physician approves applicant for employment by Federal Reserve Board. If unfavorable, report should state unsatisfactory conditions which could be corrected and if approval would be given upon correction of these conditions. Please advise if such arrangement can be made and when and where Mr. Owens should report; also amount of physician's fee, which should not exceed fee regularly charged in Kansas City for examination for ordinary life insurance."

Approved.

Telegram dated April 4, 1934, approved by four members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Your letters March 27 and 28, 1934. Board approves regular employment of C. P. Van Zante as examiner in Federal Reserve

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"Agent's department your bank at present salary rate of \$4,000 per annum and designation of Carol L. Pitman as Chief Examiner."

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to Mr. Helm, Deputy Governor and Cashier of the Federal Reserve Bank of Kansas City, stating that, in accordance with the recommendation contained in his letter of March 27, the Board approves a change in the personnel classification plan of the Oklahoma City branch to provide for the new position of "stenographer-clerk" in the custody department.

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"This refers to Mr. Young's letter of February 14, 1934, with inclosures, reporting possible violations of the provisions of Section 5209 of the Revised Statutes of the United States by Frank A. Faulhaber, former cashier, and possibly other persons connected with the Adrian State Savings Bank, Adrian, Michigan. It has been noted that your office has reported these irregularities to the United States Attorney at Detroit and, in accordance with the Board's usual practice in such cases, two copies of Mr. Young's letter and inclosures have been forwarded to the Attorney General of the United States for such action as he considers advisable.

"It has been noted also that Mr. J. H. Martin, an examiner for the Federal Reserve Bank of Chicago, has advised that collusion has existed among the officers and directors of the Adrian State Savings Bank with respect to these irregularities, particularly in the case of one of the directors who admonished an employee to refrain from volunteering any assistance or information to the persons investigating the irregularities; that Mr. C. C. Tyson, a State bank examiner, has stated that there has been considerable friction among the employees and that the directors have shown a lack of inclination to correct this situation; and that Mr. Harry W. Prange, a paying teller in the bank, has

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"indicated that the management has been lax in the supervision exercised by it over the safekeeping of the bank's cash.

"In this connection, it has been observed that the Deputy Commissioner of Banking of the State of Michigan has advised that, if considered desirable by you, his department will arrange for an early examination of this institution in cooperation with the examiners for the Federal Reserve Bank of Chicago, and, in view of the circumstances involved, it is suggested that, if you have not already done so, you consider the advisability of requesting that such an examination be made. It will be appreciated if you will ascertain at the time of such examination what, if any, corrections have been effected in the matters discussed above and advise the Board with respect thereto. If, in your opinion, adequate corrections have not been made it is requested that you furnish the Board with your recommendation as to any action it should take in the premises, and in this connection, you may wish to give consideration to the question whether the circumstances warrant your taking action under the provisions of Section 30 of the Banking Act of 1933."

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of January 23, 1934, regarding the policy to be followed in requiring the charge-off or elimination of depreciation in securities as shown in the report of examination of a State member bank.

"In the letter accompanying the Board's letter of January 18, 1932, X-7062, to which you refer, the Board stated that the amounts of depreciation in stocks and defaulted bonds only should be shown as losses, but that, in negotiations with State member banks and State authorities relative to corrective action, all depreciation in stocks and bonds should be given consideration, and that no favorable opportunity should be overlooked to obtain action calculated to strengthen banks whose depreciation in stocks and bonds exceeds or nearly equals the amount of their surplus and undivided profits. The Board has consistently maintained the position that losses as classified by the examiner should be charged off or otherwise eliminated from the assets of a bank, and, in accordance with such policy, all depreciation in stocks and defaulted bonds should be eliminated.

"The Board feels, however, that in these matters State member banks should observe the standards now prescribed for admission to membership in the System. The campaign for the strengthening of

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"the capital position of the banks of the country which has been conducted since the general policy in connection with the application of banks for membership in the Federal Reserve System was discussed at the Conference of Federal Reserve Agents last August has afforded opportunity for the banks to make provision for their capital needs, and it is believed that the Federal Reserve Agents should endeavor generally to obtain the same corrections on the part of State member banks as would be required in the case of banks applying for membership in the System. Accordingly, whenever possible the banks should charge off or otherwise eliminate not only all losses in loans and other assets and all depreciation in stocks and defaulted bonds, but also depreciation in all other securities except the following, which for the sake of convenience are referred to as securities in the four highest grades:

- a. Issues of the United States Government or guaranteed as to principal or interest by the United States Government.
- b. Issues of Federal Land and Intermediate Credit Banks.
- c. Issues considered of good standing, and not in default, of States and municipalities in the United States and of the territories and insular possessions.
- d. Miscellaneous issues in the four highest grades as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities.

"It is also felt that in any case depreciation in securities in the four highest grades should at least be covered by surplus, undivided profits and/or applicable reserves.

"The Board feels that a bank's published statements of condition should reflect as nearly as possible the true condition of its assets, and believes that the policy set forth in this letter is in the interests of sound banking."

Approved.

Telegram dated April 4, 1934, approved by five members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Following telegram dated 3rd received from Edward J. Barrett, Auditor of Public Accounts, State of Illinois:

'Re Federal Reserve Board order withdraw all deposits by nonmember banks by April fourteenth State Street Bank and Trust Company, Quincy, Illinois, only Illinois bank affected representative of auditor operating bank along lines of national conservatorship has taken trust deposits now carried

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"in Federal Reserve Bank St. Louis. Due to Illinois laws would involve legal proceedings to carry account in another bank. Expect reorganization of bank within thirty days from April fourteenth. If possible would like to carry account in Federal Reserve Bank until that time.'

In circumstances stated by Barrett, Board will interpose no objection to extension of time for thirty days from April 14th, as requested, if your bank considers it desirable to do so. In such case amount of balance carried after April 14th should be included in 'other deposits' in daily balance sheet. Please advise Barrett and Board as to action taken by your bank."

Approved.

Telegram dated April 4, 1934, approved by five members of the Board, to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, reading as follows:

"Retel March 19. Inasmuch as State bank with capital less than \$100,000 could not be admitted to membership in place having population of 16,000, Board is of opinion that Citizens Bank and Trust Company, Mobridge, South Dakota, having capital \$50,000, may not properly move its location to such place and retain membership with its present capital. Board understands Comptroller of Currency takes similar position in case of national banks."

Approved.

Letter dated April 4, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to Mr. Young's letter of March 15, 1934, inclosing the application of the First National Bank in DeKalb, DeKalb, Illinois for full fiduciary powers.

"In accordance with the recommendation of your executive committee, in which the Comptroller of the Currency concurs, the Board will defer action on the pending application until an examination by a national bank examiner has been completed and a report thereof is available, at which time it will be glad to have the benefit of any further recommendation you may wish to make in the premises. Please advise the applicant bank of the Board's action.

"In view of the fact that this bank desires to acquire

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"certain trust business from the First Trust and Savings Bank of DeKalb, now in receivership, which was affiliated with the old First National Bank of DeKalb, it is suggested that, if it is possible to do so, you arrange to have your trust examiner make an examination of the trust department of the State institution at or about the time the national bank is next examined, in order that the Board may be informed as to the amount, nature and desirability of such trust business."

Approved.

Letter dated April 4, 1934, approved by six 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 Bolivar', Bolivar, New York, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation, that the released capital shall be used to eliminate a corresponding amount of the least desirable assets in the bank, and that the funds received from the sale of preferred stock shall be used to reduce the bank's liability for borrowed money, all as set forth in your memorandum of March 24, 1934."

Approved.

Letter dated April 4, 1934, approved by six 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 Silver Creek', Silver Creek, New York, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate unsatisfactory assets, all as set forth in your memorandum of March 24, 1934."

Approved.

Letter dated April 4, 1934, approved by six members of the

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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 'National Bank and Trust Company at Charlottesville', Charlottesville, Virginia, from \$500,000 to \$250,000, pursuant to a plan which provides that the bank's capital shall be increased by \$250,000 of preferred stock to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate substandard assets in the amount of approximately \$150,000 and to augment the surplus and reserves in the amount of approximately \$100,000, all as set forth in your letter of March 23, 1934."

Approved.

Letter dated April 4, 1934, approved by six 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 Batavia National Bank', Batavia, Illinois, from \$100,000 to \$40,000, pursuant to a plan which provides that the bank's capital shall be increased by \$60,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital, together with a voluntary contribution of approximately \$30,000 and a portion of the surplus and undivided profits, shall be used in eliminating unsatisfactory assets in the amount of approximately \$106,000. It is understood that approximately \$65,000 of the eliminated assets are to be trustee'd for the benefit of the contributing shareholders, and that after such contributors have been reimbursed, any remainder of such trustee'd assets shall revert to the bank, all as set forth in your memorandum of March 27, 1934.

"In considering the plan under which the reduction in common capital is to be effected, it has been noted that your examiner criticizes the cashier, who apparently dominates, as being a very weak officer and entirely unqualified to manage the bank. The Federal Reserve Agent's office at Chicago also comments upon the bank's weak management. It is assumed, however, that you have this condition in mind and that whenever it is feasible to do so, you will require such corrections as may be practicable."

Approved.



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Letter dated April 4, 1934, approved by six 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 Kemmerer', Kemmerer, Wyoming, from \$150,000 to \$30,000, pursuant to a plan which provides that the bank's capital shall be increased by \$100,000 Class 'A' preferred stock to be sold to the Reconstruction Finance Corporation and \$100,000 Class 'B' preferred stock to be sold locally, and that the released capital shall be used to eliminate approximately \$110,000 of depreciation in lower grade securities and to augment the bank's surplus in the amount of \$10,000, all as set forth in your memorandum of March 24, 1934."

Approved.

Letter dated April 4, 1934, approved by four members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"Receipt is acknowledged of your letter of March 31, 1934, in regard to the proposed reduction in the common capital of 'The United States National Bank of Galveston', Galveston, Texas, which was approved by the Board on December 22, 1933.

"You advise that a report of examination of the bank, made as of January 30, 1934, has been received, and therefore a modification of the condition previously imposed covering the charge offs to be made, is desired, which will provide for the elimination of all items classified as doubtful or loss in the new report.

"In accordance with your recommendation, the Board amends its previous approval of the proposed capital reduction to provide for the use of the released capital to eliminate approximately \$482,000 of undesirable assets, the balance of approximately \$18,000 to be credited to a reserve for contingencies, all as set forth in your letter of March 31, 1934, it being understood that the other provisions of the plan of capital reduction remain unchanged."

Approved.

Telegram dated April 4, 1934, approved by four members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve

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Bank of San Francisco, reading as follows:

"Retel March 31 voting permit Sebastopol National Securities Company Board authorizes extension of time to April 25 in which to comply with condition numbered three of the agreement pertaining to Analy Savings Bank."

Approved.

Letter dated April 4, 1934, approved by five members of the Board, to Mr. Sproul, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of March 30, 1934, from which the Federal Reserve Board notes without objection that the second sentence of Section 1 of Article III of the by-laws of your bank providing that 'the secretary may hold at the same time the position of deputy governor, or assistant deputy governor, or manager' has been amended to read as follows:

'The same person may be appointed to hold more than one office at the same time.'

Approved.

Letter to Mr. Williams, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board has reviewed the report of examination of the Federal Reserve Bank of Cleveland as of December 30, 1933, copies of which were left with you and Governor Fancher.

"The Board notes with approval that the recommendation of its examiner (page 22) has been adopted and that hereafter audits of the Fiscal Agency Department will be enlarged so as to provide for a checking of all subscriptions received.

"The examiner comments (page 23) on the fact that no record is kept of absences of officers and of members of the bank examination and bank relations departments, and that no record was kept of absences of share-the-work employees. On the same page the examiner states that in the past, due to a misunderstanding, some leaves of absence in excess of thirty days have not been approved by the board of directors. The Board is pleased to note that in the future all leaves of absence in excess of thirty days in any one calendar year will be submitted to the board of directors for approval and that hereafter proper records will be kept of all absences.

"On page 24 the examiner refers to a credit of \$1,295 in

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"Suspense Account - General, representing reimbursement received from the American Surety Company in settlement of a claim arising from the redemption by the Reserve Bank of war savings stamps which proved to be counterfeit. It is understood that the Treasury Department has dropped any claim against the Reserve Bank in this connection in view of the opinion of the Attorney General of the United States that Reserve Banks acting as fiscal agents are not liable for such losses except losses due to lack of ordinary care and diligence. In the circumstances, it will be appreciated if you will advise the Board what steps have been taken to clear these funds from the Suspense Account as recommended by the Board's examiner.

"It has been observed (pages 56 and 121) that securities are being held in safekeeping at both the Head Office and at the Pittsburgh Branch for receivers of various closed banks, and the Board would appreciate information 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 in safekeeping 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.

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

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to Honorable Duncun U. Fletcher, Chairman of the Committee on Banking and Currency of the United States Senate, reading as follows:

"This refers to the letter dated March 9, 1934, from the Acting Clerk of your Committee requesting a report from the Federal Reserve Board on S. 2992, introduced by Senator Dill on February 28 (calendar day, March 8), 1934, entitled 'A Bill To amend paragraph (c) of section 5155 of the Revised Statutes, as amended, relative to the establishment of branches of national banks'.

"The language of this bill is confusing and the Federal Reserve Board is unable to determine definitely what interpretation should be placed upon its provisions. The bill would apparently authorize a national bank to establish a branch within the limits of the county in which it is situated under certain conditions and irrespective of the capital requirements contained in paragraph (c) of section 5155 of the Revised Statutes; but it is not altogether clear that this is the intention of the bill. The

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"bill would also insert an additional proviso in paragraph (c), the language of which is not understood. One possible interpretation, however, of the proviso is that a national bank with a capital of only \$200,000 may establish a branch in a county other than that in which it is situated if there is no city within the limits of such county with a population exceeding 100,000 inhabitants and if State banks are permitted to do so by State law. Whether such branches might be established in any city within such a county is not clear. The provisions of paragraph (d) of section 5155 of the Revised Statutes with regard to the capital required of national banks establishing and operating branches are not affected. Inasmuch as State member banks of the Federal Reserve System may establish and operate out of town branches on the same terms and conditions as are applicable to the establishment of branches by national banks the provisions of the bill would also affect State member banks in the same respects in which it applies to national banks.

"In view of the Board's uncertainty as to the interpretation which should be placed upon the provisions of the bill and inasmuch as the objectives of the bill are not apparent, the Board feels that it is not in a position, pending a possible clarification of the bill by amendments, to undertake to express any view with reference thereto."

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to Mr. H. C. Riggs, Cashier of The Garrett National Bank in Oakland, Maryland, reading as follows:

"This refers to your letter of February 21, 1934, addressed to Mr. I. I. Chorpening, Chief National Bank Examiner, which has been referred to the Federal Reserve Board for reply. It is understood that The Garrett National Bank in Oakland is a new bank which was organized in 1933 for the purpose of succeeding an insolvent banking institution, and that, soon after the opening of the new bank, two individuals deposited in such bank funds received in satisfaction of their claims against the old bank. These deposits were entered upon the books of the bank as checking accounts, but the depositors now claim that these funds should have been entered as savings accounts and request that interest be paid on the funds.

"As you know, Section 19 of the Federal Reserve Act prohibits the payment of interest on any deposit payable on demand, with certain exceptions which apparently are not here material. No authority is delegated to the Federal Reserve Board to make any exception to the prohibition aforesaid and, accordingly, if the

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"deposits represented deposits payable on demand during the period as of which it is desired to pay interest, it is the view of the Board that no interest may lawfully be paid on such deposits for such period. It does not appear from the information which the Board now has that the deposits may be properly classified either as time or savings deposits upon which interest might lawfully be paid for the period during which the deposits were carried on the books of the bank as checking accounts, but in the absence of more definite information with respect to the circumstances under which the deposits were made and of an opportunity to examine any written instruments evidencing the arrangement between the bank and the depositors, the Board is unable to determine what are the respective obligations of the parties or to rule definitely on the question whether interest may lawfully be paid on either of such deposits."

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to Mr. Roy C. Moore, Vice President and Cashier of The First National Bank, Gainesville, Georgia, reading as follows:

"This refers to your letter to the Comptroller of the Currency, dated March 5, 1934, which has been referred to the Federal Reserve Board for reply.

"It is understood that in a safe deposit box in your bank there is a time certificate of deposit, payable at the expiration of 6 months from the date thereof, which is owned by a customer who lives in a place several hundred miles distant from Gainesville. Apparently the customer wishes to continue the deposit on a time basis after the maturity of the original certificate, but desires to avoid the expense which would be incurred if he should be required to present the original certificate in person as a prerequisite to obtaining a renewal certificate evidencing this deposit. You request to be advised whether, if the bank holds the original certificate for an additional 6 months after its maturity, the certificate may be considered to have been renewed, although no record of an extension of the same is made on the books of the bank.

"Section III, subparagraph (e) of the Board's Regulation Q provides in part that after the date of maturity of any time deposit, such deposit is a deposit payable on demand, and no interest may be paid on such deposit for any period subsequent to such date. It is the view of the Board that the procedure which you suggest would not be sufficient to take the deposit in question out of the scope of that provision of the regulation, and that in the circumstances stated the prohibition against the

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"payment of interest would be applicable to such deposit after the date of maturity of the original certificate. However, if your bank and the customer enter into a valid written contract evidenced by letters exchanged between the parties or other written instruments and in accordance with which neither the whole nor any part of such deposit may be withdrawn, by check or otherwise, prior to the date of maturity, which shall be not less than 30 days after the date of the deposit, or on written notice which must be given by the depositor a certain specified number of days in advance, in no case less than thirty days, the Board will offer no objection to the payment of interest on such deposit, at a rate not in excess of that prescribed in Regulation Q, from the date such agreement is entered into until the date of maturity of such deposit. Of course, interest may be paid on such deposit for the period prior to the date of maturity of the original certificate during which such deposit conformed to the requirements of a time deposit as set forth in the Board's Regulation Q."

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Receipt is acknowledged of your letter of March 27, inclosing a copy of a letter of the same date from the Mercantile-Commerce Bank & Trust Company concerning errors in affiliates' reports prepared by them in response to the Board's call of December 30, 1933, and published on March 17, 1934.

"In view of the statements in the letter from the bank concerning these errors, and the fact that it has advised that the reports to be published in response to the Board's call of March 5, 1934, will set forth the facts correctly, it will not be necessary for the December 30 reports to be republished in corrected form."

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to Governor Geery of the Federal Reserve Bank of Minneapolis, reading as follows:

"This is in reply to your letter of February 28, 1934, in which you make certain inquiries with respect to the holding of collateral pledged by nonmember banks to secure War Loan deposits.

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"Your first question is whether, in the event that the deposit which the nonmember bank creates in favor of the United States Government is called for payment in full, the Federal Reserve Bank of Minneapolis should request the nonmember bank to withdraw its collateral in spite of the fact that the Federal reserve bank feels that the nonmember bank will be in the market for future issues of Government securities as they are brought out.

"As indicated in the opening sentence of your letter, a Federal reserve bank is not authorized to hold in safekeeping securities of nonmember banks. If, however, a nonmember bank has been active in its subscriptions to the various Government issues and there is sound reason for believing that the securities in question will be used within a short time for collateral to Government deposits arising from subscription to new issues, there would seem to be no reason why the reserve bank could not continue to hold such securities as free collateral available to secure deposits arising from subscriptions to new issues if such procedure would facilitate the operations of the Fiscal Agency Department of the bank. The propriety of holding the collateral in such circumstances, without a request for its withdrawal, is a question of judgment and one which in each case must be determined by the Federal reserve bank in the light of the particular circumstances involved. One test as to the propriety of holding such free collateral would be whether the securities held are actually needed from time to time to secure the War Loan deposits.

"Your second question is whether, if the deposit in favor of the Government is called in part, the nonmember bank should be requested to withdraw the surplus collateral thereby created. The answer to your first question is also applicable to this situation.

"In no case, of course, should a reserve bank accept or continue to hold securities offered as War Loan collateral when it is evident from the amounts of the collateral offered and the corresponding War Loan balances that the securities are pledged as War Loan collateral simply for the purpose of having the reserve bank act as custodian of a nonmember bank's securities."

Approved.

Letter dated April 4, 1934, approved by four members of the Board, to Mr. Roland Coomer, Cashier of The State National Bank, Garland, Texas, reading as follows:

"Receipt is acknowledged of your letter of March 14, 1934, inclosing a copy of a certificate of deposit issued by your bank, with further reference to the question presented in your letter

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"of February 8, 1934, whether such a certificate of deposit may be paid before maturity if notice in writing of not less than 30 days before repayment is given by the depositor and if the depositor agrees to waive all interest which has accrued on the certificate.

"The certificate inclosed with your letter is payable 'on return of this certificate properly indorsed, after July 15, 1934' but it is also provided that it is subject to 'the Federal Reserve Act requiring not less than thirty days' notice before withdrawal.' These provisions of the certificate would appear to be somewhat inconsistent and, accordingly, there is doubt as to the date of maturity of the certificate. It is believed, however, that it is properly to be regarded as a certificate payable on a specified date. As was indicated in the Board's letter of February 26, 1934, with respect to this matter, if a certificate of deposit is one which is payable on a specified date or at the expiration of a certain specified period, the certificate may not lawfully be paid by a member bank until such date or until the expiration of such period. Accordingly, it is the view of the Board that the certificate of deposit here in question may not lawfully be paid by your bank prior to the date specified therein, notwithstanding the fact that the depositor gives notice in writing of not less than thirty days prior to the date upon which he desires repayment of the deposit and notwithstanding the fact that the depositor agrees to waive all interest which has accrued on such certificate.

"In view of the uncertainty under the terms of the certificate as to its date of maturity, it is suggested that you give consideration to the adoption of a revised form of certificate under which this uncertainty will be eliminated. With regard to the provision of the certificate submitted by you that 'this certificate issued subject to the Federal Reserve Act requiring not less than thirty days' notice before withdrawal', you will observe from Regulation Q that a time deposit with respect to which notice is required to be given a certain specified period before any withdrawal is made may not be paid by a member bank until such required notice has been given and the specified period thereof has expired; but a time deposit payable on a certain date or at the expiration of a certain specified time, not less than thirty days after the date of the deposit, may be paid at the maturity thus fixed and no notice whatever is required to be given before such payment."

Approved.

Letter dated April 4, 1934, approved by six members of the Board, to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:



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Mr. Edward A. Washburn, for permission to serve at the same time as a director and officer of The First National Bank of Batavia, Batavia, New York, and as a director of the Bank of Elba, Elba, New York.

Approved.

There were then presented the following applications for

original stock of Federal reserve banks:

| <u>Applications for ORIGINAL Stock:</u>                       | <u>Shares</u> |            |
|---------------------------------------------------------------|---------------|------------|
| <u>District No. 3.</u>                                        |               |            |
| East Berlin National Bank, East Berlin,<br>Pennsylvania       | 36            | 36         |
| <u>District No. 4.</u>                                        |               |            |
| The Mount Healthy National Bank, Mount<br>Healthy, Ohio       | 38            | 38         |
| <u>District No. 10.</u>                                       |               |            |
| The First National Bank of Butler, Butler,<br>Missouri        | 33            | 33         |
| <u>District No. 11.</u>                                       |               |            |
| The First National Bank of Goose Creek,<br>Goose Creek, Texas | 50            | 50         |
|                                                               | <u>Total</u>  | <u>157</u> |

Approved.

Thereupon the meeting adjourned.

Chesler Moriel  
Secretary.

Approved:

E. A. Washburn

Governor.