

A meeting of the Federal Reserve Board was held in Washington on Monday, April 9, 1934, at 4:00 p. m.

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

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

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on April 4, 1934, were approved and the actions recorded therein were ratified unanimously.

The Board then considered and acted upon the following matters:

Telegrams dated April 7, 1934, from Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, and April 9, 1934, from Mr. Powell, Secretary of the Federal Reserve Bank of Minneapolis, both 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 4, 1934, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Helen R. Dyer, an employee in the division, be granted an additional leave of absence with pay, on account of illness, for the period April 6 to 30, 1934, inclusive. The recommendation was approved by six members of the Board on April 7, 1934.

Approved.

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Letter dated April 7, 1934, approved by six members of the Board, to Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"Section 12A of the Federal Reserve Act provides that each Federal reserve bank by its board of directors shall annually select one member of the Federal Open Market Committee.

"In your letter of July 12, 1933, you advised of the selection of Governor Norris as a member of the committee representing the Third Federal Reserve District, and, while your letter did not so state, it was assumed by the Board that Governor Norris' appointment was for the remainder of the year 1933. It will be appreciated, therefore, if you will advise what, if any, action has been taken by your directors during the current year with regard to the selection of a member of the committee.

"For your information, a majority of the Federal reserve banks have selected members of the Federal Open Market Committee to serve for the calendar year and it is believed desirable for all Federal reserve banks to follow this procedure."

Approved, together with similar letters dated April 7, 1934, also approved by six members of the Board, to the chairmen of the Federal Reserve Banks of Richmond, St. Louis, Minneapolis, Kansas City, and San Francisco.

Letter dated April 7, 1934, approved by six members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of March 31, 1934, transmitting the request of The Real Estate Trust Company of Philadelphia for the withdrawal of the bank's application for membership in the System. It is understood that the bank has no assurance as to when it will be able to dispose of its investment of approximately \$1,600,000 in stock of the Pennsylvania Sugar Company, and that without such assurance the bank does not desire to accept the condition of membership requiring that such stock be disposed of within one year from the date of the admission of the bank to membership in the System. It is noted that you have assured the bank that the withdrawal of the application will be without prejudice to the consideration of an application made in the future.

"In accordance with the request of The Real Estate Trust Company of Philadelphia, its application will be considered as having

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"been withdrawn. The papers comprising the application for membership will be retained as a part of the permanent official files of the Federal Reserve Board."

Approved.

Letter dated April 7, 1934, approved by six members of the Board, to Mr. Hoxton, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of April 2, 1934, transmitting the request of the 'Farmers and Merchants Bank of Lawrenceville', Lawrenceville, Virginia, for permission to purchase at a cost of not to exceed \$17,500, the Brunswick Bank and Trust Company building, to be used as banking quarters.

"In view of the favorable recommendation of your Executive Committee and the fact that the investment of such an amount does not appear to be unduly large or improper or otherwise violate the spirit or purpose of condition numbered 8 prescribed in connection with the bank's application for membership, the Board interposes no objection to such purchase at a cost of not to exceed \$17,500, and it is requested that you advise the bank accordingly.

"It is suggested that you acquaint the bank with the Board's views, which are known to your office, with respect to making adequate provision for depreciation in banking quarters owned."

Approved.

Letter dated April 7, 1934, approved by six members of the Board, to the "Norway National Bank", Norway, Maine, reading as follows:

"The Federal Reserve Board approves your application for permission to act, when not in contravention of State or local law, as trustee, executor and administrator, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

"This letter will be your authority to exercise the fiduciary powers as set forth above. A formal certificate covering such authorization will be forwarded to you in due course."

Approved.

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

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"This is to advise you that the Federal Reserve Board approves the application of the 'Citizens State Bank & Trust Company', Goose Creek, Texas, for permission to exercise all fiduciary powers authorized under its charter and the laws of the State of Texas, provided that prior to the exercise of any of these powers the board of directors of such bank shall adopt an appropriate resolution accepting the three conditions given below and shall transmit to the Board, through you, a copy of such resolution:

1. Such bank shall not invest trust funds held by it in obligations of the bank's directors, officers, employees or their affiliations or corporations affiliated with the bank.
2. Except with the permission of the Federal Reserve Board, such bank shall not invest the funds of various trusts held by the bank in participations in pools of mortgage bonds or other securities, and the funds of all such trusts shall be invested separately from each other; provided, however, that the Federal Reserve Board will not object to the collective investment of small amounts of trust funds where the cash balances to the credit of certain trust estates are too small to be invested separately to advantage, if the bank owns no participation in the securities in which such collective investments are made and has no interest in them except as trustee or other fiduciary.
3. If trust funds held by such bank are deposited in its banking department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise the Citizens State Bank & Trust Company of the Board's action."

Approved.

Letter 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 Forest Hills National Bank of New York', Forest Hills, New York,

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"from \$200,000 to \$100,000, pursuant to a plan which provides that the bank's capital shall be increased by \$100,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital, together with part of the surplus and profits of the bank shall be used to eliminate estimated losses of approximately \$34,915, and all securities depreciation, all as set forth in your memorandum of March 31, 1934."

Approved.

Telegram to Mr. Wood, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"Retel April 4, 1934 Board grants 'Neat, Condit and Grout, Bankers', Winchester, Illinois, permission to reduce capital from \$110,000 to \$55,000 as part of plan of conversion into a national bank providing released capital is used to eliminate undesirable assets."

Approved.

Letter dated April 7, 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 American National Bank of St. Cloud', St. Cloud, Minnesota, 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 shall be used to eliminate unsatisfactory assets, all as set forth in your memorandum of March 29, 1934.

"In considering the plan under which the proposed capital reduction is to be effected it has been noted that your examiner severely criticizes the active management of the bank. It has been noted also that the bank's capital and surplus is inadequate to support its deposit liability. It is assumed, however, that you have these conditions in mind and that whenever it is feasible to do so you will require such further corrections as may be practicable."

Approved.

Letter dated April 7, 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

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"Board approves a reduction in the common capital stock of the 'Altus National Bank', Altus, Oklahoma, from \$100,000 to \$50,000, pursuant to a plan which provides that the released capital shall be used to eliminate a corresponding amount of substandard assets, all as set forth in your memorandum of March 31, 1934.

"In this connection, it is understood that the sale of \$50,000 of preferred stock to the Reconstruction Finance Corporation, which was a part of the plan of recapitalization, has been consummated in advance of approval of the reduction in common capital, and that such preferred stock is now a part of the bank's capital accounts."

Approved.

Letter dated April 7, 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 Farmers National Bank of Oberlin', Oberlin, Kansas, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$25,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate substandard assets, all as set forth in your memorandum of March 27, 1934."

Approved.

Letter dated April 7, 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 in Stamford', Stamford, Texas, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by \$35,000 preferred stock, to be sold to the Reconstruction Finance Corporation and/or others, and that the released capital shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in your letter of March 30, 1934."

Approved.

Telegram dated April 7, 1934, approved by six members of the Board, to Mr. Curtiss, Federal Reserve Agent at the Federal Reserve Bank of Boston, stating that the Board has considered the application of the

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"Industrial Trust Company", Providence, Rhode Island, 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 Mechanics National Bank of Providence", Providence, Rhode Island, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of the limited voting permit hereby authorized, applicant shall agree as follows:

1. In all of its published statements of condition the undersigned will show separately any extension of credit to, and investment in, its subsidiary, Industrial Holdings, Inc., as an extension of credit to, and investment in, an affiliated company holding bank building.
2. Within such time as shall be fixed by the Federal Reserve Agent at the Federal Reserve Bank of Boston and in no event later than June 30, 1934, the undersigned will charge off or otherwise eliminate, if it has not already done so, all (1) losses in loans and discounts as shown by the report of examination made by examiners for the Federal Reserve Bank of Boston as at the close of business, January 6, 1934, (2) depreciation in stock of The Mechanics National Bank of Providence which is owned by the undersigned to such an extent that the carrying figure of this stock on the books of the undersigned shall not be greater than the book value of such stock as shown by the books of The Mechanics National Bank of Providence after effect has been given to a proposed plan for the recapitalization of The Mechanics National Bank of Providence heretofore approved by the Comptroller of the Currency and the Federal Reserve Board, (3) depreciation in other stocks, in defaulted securities, and in 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, such depreciation to be based on a current appraisal acceptable to the Federal Reserve Agent at the Federal Reserve Bank of Boston, and (4) all other losses, as shown by the report of examination made by examiners for the Federal Reserve Bank of Boston as at the close of business, January 6, 1934, provided, however, that the foregoing provisions of this paragraph Second shall not apply to the stock of Industrial Holdings, Inc.
3. Prior to June 30, 1934, the undersigned will reduce the

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"amount at which the stock of Industrial Holdings, Inc. is now carried on its books by at least \$400,000.

4. If the next examination of the undersigned to be made by examiners for the Federal Reserve Bank of Boston shall disclose any loss in the undersigned's stock of Industrial Holdings, Inc., the undersigned will charge off or otherwise eliminate any such loss in accordance with requirements made by the Federal Reserve Board on the basis of the report of the said examination."

and for the following purposes:

"(1) To elect directors of such bank at any meeting of its shareholders, or at any adjournment thereof, at any time prior to July 1, 1934, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank.

"(2) At any time prior to July 1, 1934, to act upon a proposal to rehabilitate the capital structure of such bank in accordance with the plan which has heretofore been approved by the Comptroller of the Currency and the Federal Reserve Board, which plan includes provisions for the reduction of the bank's common capital stock from \$500,000 to \$250,000 and the issuance and sale to the Reconstruction Finance Corporation of \$250,000 par value preferred stock and to amend the bank's articles of association and to do all other things necessary to effect such plan."

The telegram requested that the agent arrange for an examination of the applicant by examiners for the Federal Reserve Bank of Boston as of a date not later than November 15, 1934; that he notify the applicant that consideration of the issuance of a general voting permit will be deferred until the Board has considered the classification in such examination of the stock of Industrial Holdings, Inc.; and that he notify the applicant further that, if it so desires, it may obtain an independent appraisal of the real estate owned by Industrial Holdings, Inc. and submit the same for consideration by the examiners at the time of making such examination and by the Board. The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Industrial

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Trust Company, a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with.

Approved, together with a letter dated April 7, 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 Mechanics National Bank of Providence', Providence, Rhode Island, 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 that the released capital, together with a portion of the bank's surplus and undivided profits, shall be used to eliminate substandard assets and securities depreciation in the amount of approximately \$400,000, all as set forth in your memorandum of February 9, 1934.

"The Board has granted the Industrial Trust Company, Providence, Rhode Island, a limited voting permit authorizing it to vote its stockholdings in The Mechanics National Bank of Providence for the purpose of effecting the proposed capital reduction."

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

"The Board has considered the application of 'Gimbel Brothers, Inc.', New York, New York, for a permit under Section 5144 of the Revised Statutes, as amended, entitling it to vote the stock which it owns or controls of 'Gimbel Brothers Bank and Trust Company', Philadelphia, Pennsylvania, and has approved the application as filed. There is inclosed a general voting permit which you are requested to deliver to the applicant, together with a copy of the permit for your files. The Board has today forwarded a copy of the permit to the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia and has requested the Federal Reserve Agent to give the necessary notification to the appropriate State supervisory authorities."

Approved.

Telegram dated April 7, 1934, approved by six members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

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"On facts set forth in Young's letter March 29 no extension of limited voting permit granted to American Holding Corporation December 30, 1933, appears necessary as limitation of time is confined to matters referred to in clause 1 of permit."

Approved.

Telegram dated April 7, 1934, approved by six 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 McCloud River Lumber Company", McCloud River, California, 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 "McCloud National Bank", McCloud, California, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"Prior to the issuance of the limited voting permit hereby authorized, applicant shall deliver to you in form satisfactory to counsel for the Federal Reserve Bank of San Francisco three original counterparts of the agreement on F.R.B. Form P-3 entitled Exhibit L properly executed by McCloud River Railroad Company and by McCloud Transportation Company, and three original counterparts of the authorization on F.R.B. Form P-4 entitled Exhibit N properly executed by The McCloud River Lumber Company and consented to by McCloud River Railroad Company and by McCloud Transportation Company, or in the case of each of these two companies evidence in writing satisfactory to counsel for the Federal Reserve Bank of San Francisco that such exhibits are not required by the Board's Regulation P and the directions on the printed forms referred to."

and for the following purposes:

"To elect directors of such bank at any meeting of its shareholders, or at any adjournment thereof, at any time prior to July 1, 1934, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such bank."

The telegram stated also that duplicate copies of the exhibits called for in the condition referred to above or evidence as to the lack of necessity for such exhibits should be forwarded to the Board. The

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telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to The McCloud River Lumber Company, a limited voting permit in accordance with the telegram when the condition prescribed therein has been complied with.

Approved.

Memorandum dated April 6, 1934, approved by six members of the Board, to Mr. A. M. Smith, Chief, Division of Bookkeeping and Warrants, Treasury Department, reading as follows:

"In accordance with the request contained in your memorandum of March 29 the draft of a report for the signature of the Secretary of the Treasury which was prepared in the office of the Comptroller of the Currency in regard to S. 2949 entitled 'A Bill To promote resumption of industrial activity, increase employment, and restore confidence by fulfillment of the implied guaranty by the United States Government of deposit safety in national banks', has been considered.

"As the letter was evidently drafted by counsel in the Comptroller's office, it is assumed that the matters of law are correctly stated and therefore they have not been reviewed. The Treasury may wish to give consideration to the question whether there should be included in the letter some expression from the standpoint of the effect of such a measure upon the Government's financial policy. Otherwise, the Board has no suggestion to offer."

Approved.

Telegram dated April 7, 1934, approved by six members of the Board, to Acting Governor Johns of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring Martin's April 3 wire, cost of telegrams transmitted and received by branch operators over branch lines for Loan Agency R. F. C. should be charged to Suspense account - General on Form 34 and cost of such telegrams sent by bank as custodian for R. F. C. should be included in functional expense report, page 13, line 6-c, regardless of whether reimbursement is received. It is our understanding that all expenses incurred for R. F. C. Loan Agency and as custodian for R. F. C. are reimbursable."

Approved.

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Telegram dated April 7, 1934, approved by six members of the Board, to Governor Calkins of the Federal Reserve Bank of San Francisco, reading as follows:

"Referring your April 4 wire advising that you have an urgent telegraphic appeal from the Acting Governor and the Superintendent of Banks in Nevada to continue to allow unlicensed nonmember banks in Austin, Wells and Yerington to maintain special trust accounts with reserve bank as Nevada law prohibits closed banks giving limited banking service from carrying accounts other than with reserve bank and that, according to Superintendent Seaborn, it would not be practicable for banks to remain open without having facilities for settling exchange and other transactions for themselves and on behalf of depositors. Inasmuch as Nevada law prohibits unlicensed banks from carrying accounts with banks other than reserve bank, Board will offer no objection to your continuing to carry temporarily special trust accounts for banks in Nevada. Please advise Board names of banks for which you will continue to carry deposits and beginning April 14 include amount of any such deposits in 'other deposits' on daily balance sheet."

Approved.

Letter to an applicant for a permit under the Clayton Act, advising of approval of his application as follows:

Mr. J. H. Smith, for permission to serve at the same time as a director of the City National Bank and Trust Company, Oklahoma City, Oklahoma, and as a director of The First National Bank of Moore, Moore, Oklahoma.

Approved.

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. 5.</u>		
Citizens National Bank in Pocomoke City, Pocomoke City, Maryland	38	38
<u>District No. 7.</u>		
First National Bank in Bellevue, Bellevue, Iowa	36	

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Applications for ORIGINAL Stock: (Continued) Shares

<u>District No. 7. (Continued)</u>		
First National Bank of Woodstock, Woodstock, Illinois	<u>36</u>	72
<u>District No. 8.</u>		
The National Bank of Caruthersville, Caruthersville, Missouri	<u>36</u>	<u>36</u>
	<u>Total</u>	<u>146</u>

Applications for SURRENDER of Stock:

<u>District No. 4.</u>		
The First National Bank of Hooversville, Hooversville, Pennsylvania	45	
The Keystone National Bank of Pittsburgh, Pittsburgh, Pennsylvania	<u>1,080</u>	1,125
<u>District No. 7.</u>		
The Farmers & Merchants National Bank of Rensselaer, Rensselaer, Indiana	52	
The First National Bank of Whiting, Whiting, Iowa	18	
The Citizens National Bank of Winterset, Winterset, Iowa	<u>139</u>	209
<u>District No. 11.</u>		
The First National Bank of Nevada, Nevada, Texas	18	18
<u>District No. 12.</u>		
The Whitman County National Bank of Rosalia, Rosalia, Washington	<u>44</u>	<u>44</u>
	<u>Total</u>	<u>1,396</u>

Approved.

Thereupon the meeting adjourned.

Robert Morley
Secretary.

Approved:

E. H. [Signature]
Governor.