

A meeting of the Federal Reserve Board was held in Washington on Monday, April 23, 1934, at 10:45 a. m.

PRESENT: Mr. Black, Governor
 Mr. Hamlin
 Mr. Miller
 Mr. James
 Mr. Thomas
 Mr. Szymczak
 Mr. O'Connor

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

The minutes of the meetings of the Federal Reserve Board held on April 5, 6, 9, and 12, 1934, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on April 11, 16, 17, 1934, were approved and the actions recorded therein were ratified unanimously.

The Board then considered and acted upon the following matters:

Letter dated April 19, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, advising that, at a meeting of the board of directors on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated April 20, 1934, approved by five members of the Board, to Mr. Strater, Secretary of the Retirement System of the Federal Reserve Banks, reading as follows:

"Board approves amended sub-paragraph (c) of paragraph 1 of section 6 of rules and regulations of retirement system as set forth your letter April 11. Board suggests that consideration be given at proper time to further amendment to sub-paragraph so that

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"election procedure will make appropriate provision for participation by employees located at places other than the head office of the employing bank."

Approved.

Letter dated April 13, 1934, from Mr. Newton, Chairman of the Federal Reserve Bank of Atlanta, advising that the board of directors of the bank, at its meeting on that date, appointed Mr. Frank M. Moody, President of the First National Bank, Tuscaloosa, Alabama, as a director of the Birmingham branch of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1935, to succeed Mr. W. W. Crawford, deceased.

Noted.

Letter to Mr. Preston, Deputy Governor of the Federal Reserve Bank of Chicago, reading as follows:

"Referring to your letter of April 16, the Board will interpose no objection to your employing carpenters and electricians when necessary for a period not to exceed 30 days at the prevailing Chicago union scale which it is understood is in excess of the salary range provided in the personnel classification plan for such employees."

Approved.

Letter dated April 20, 1934, approved by five 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 April 13, 1934, transmitting the request of the Berks County Trust Company, Reading, Pennsylvania, for the withdrawal of the bank's application for membership in the System. It is understood that the bank has been unable to rehabilitate its capital structure as contemplated, and that the condition of the bank does not warrant your favorable recommendation of the application.

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"It has been noted that the bank's liability to the Reserve Bank for money borrowed prior to the termination of membership has been reduced to \$423,000 and that you presume that there will be no objection to your continuing to treat this account as a liquidating account. As stated in the Board's letters of August 5 and 11, 1933, while advancements of new money may not be made to a nonmember State bank or trust company by way of discounts as if it were a member bank, this fact does not prevent a Federal reserve bank, as a means of working out to the best advantage indebtedness existing at the time of termination of membership, from renewing outstanding discounts, accepting substitutes therefor, and otherwise dealing with the situation in such manner as best to protect the interests of both the debtor bank and the Federal reserve bank. The Board requests, however, that it be advised as to the status of the liability on June 30, 1934, of the Berks County Trust Company to the Reserve Bank for borrowed money, and at the end of each ninety-day period thereafter, or until the account has been liquidated in full.

"In accordance with the request of the Berks County Trust Company its application will be considered as having 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 19, 1934, approved by five members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Receipt is acknowledged of Mr. Fletcher's letter of April 7, 1934, inclosing a report of examination of the Potter Title and Trust Company, Pittsburgh, Pa., made by State examiners as of December 20, 1933, and an analysis by your office of such report. It is noted that the classification of assets is at wide variance with the classification of assets as reflected in the special investigation made as of November 29, 1933, by your examiners and examiners for the Reconstruction Finance Corporation, and that your office does not believe that the report of examination as of December 20, 1933, reflects the true condition of the bank.

"The analysis states that the present situation is one which the officers of the member bank cannot comprehend and with which they are unable to cope, and refers to the fact that in the report of special investigation as of November 29, 1933, the examiners state that if the bank is to continue functioning, an entirely new official personnel should be installed.

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"Mr. Fletcher reports that the bank has made application to the Reconstruction Finance Corporation for the sale of \$750,000 preferred stock. According to the information submitted, the State Banking Department made no demands for correction during examination, and it is assumed by your office that the necessary corrections will be effected if, as and when preferred stock funds are disbursed. Mr. Fletcher reports that your Executive Committee concurred in the recommendation that no steps be taken by the Federal Reserve Board to terminate membership provided the sale of preferred stock to the Reconstruction Finance Corporation is effected.

"You have previously reported this bank as being one of the worst problems in your district, and it will be appreciated if you will keep the Board advised as to the progress made in effecting the necessary corrections in the assets, operations, and management of the bank. It is assumed, of course, that a thorough and more recent examination will be made in connection with certification to the Federal Deposit Insurance Corporation. It seems advisable in the circumstances that such examination be made as soon as practicable if it has not already been instituted."

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of April 4, 1934, advising of the absorption of the Reserve State Bank, Reserve, Kansas, by The Morrill and Janes Bank, Hiawatha, Kansas, effective as of March 10, 1934.

"The Board has reviewed the information submitted, from which it appears that the transaction has resulted in no material change in the general character of the assets of, or broadening in the scope of the functions exercised by, the member institution within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System. The Board will, therefore, take no action affecting the membership of The Morrill and Janes Bank, Hiawatha, Kansas, in the Federal Reserve System by reason of the transaction providing all agreements in connection therewith are approved and found to be legally effective by you and your Counsel.

"The Board has also reviewed the condition of The Morrill and Janes Bank as reflected in the analysis of the report of examination as of March 6, 1934, and it is observed that the bank proposes to issue and sell \$75,000 preferred stock to the Reconstruction Finance Corporation and stockholders, simultaneously reducing its common capital stock \$75,000 and using the released capital for the

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"purpose of eliminating criticised assets and augmenting its surplus account. In this connection, it will be appreciated if you will advise the Board when the recapitalization plan has been completed and the extent of the criticised assets eliminated. It will also be appreciated if you will forward copies of any amendments of the bank's charter for the Board's files."

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of April 12, 1934, inclosing a copy of a letter dated April 9, 1934, from the cashier of the State Bank & Trust Company, Beeville, Texas, requesting permission of the Board to invest \$350 in stock of the Beeville Building Company, a concern being organized by the local business men for the purpose of constructing a suitable building for companies with headquarters now in Beeville, but whose offices, it is reported, will be removed therefrom unless satisfactory office quarters are provided. It is noted that the payrolls of the companies involved are by far the largest in the city, that the companies agree to pay a reasonable rental if a suitable building is erected, and that the cashier of the bank states that the benefits derived by the bank, either directly or indirectly, justify the investment and that failure to cooperate would probably reflect unfavorably upon that institution.

"Section 5 (c) of the Banking Act of 1933, approved June 16, 1933, provides that State member banks are subject to the same limitations with respect to the purchase of stock as are applicable in the case of national banks. The stock of the company in which the State Bank & Trust Company contemplates investing does not come within the limited classes of stock which national banks are authorized to purchase, and the Federal Reserve Board has no authority to extend the provisions of law.

"In passing upon the request of the bank, no consideration has been given to the propriety of making a contribution for the purpose indicated if such action is considered to be for the best interests of the bank."

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to the "Claremont National Bank", Claremont, New Hampshire, reading

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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, 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, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

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

Approved.

Letter dated April 19, 1934, approved by three members of the Board, to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to the application of the 'First National Bank in Greensburg', Greensburg, Pennsylvania, for full fiduciary powers.

"It is observed that the applicant bank is under the same management as the preceding institution and that the management of the old bank was subject to considerable criticism by the national bank examiner. It is also observed that the management of the applicant bank was not approved by the Chief National Bank Examiner at the time of its organization.

"In the last report of examination of the preceding bank it is observed that the examiner criticized the management of the trust department, particularly with regard to the investment of trust funds in illegal investments and nonconforming mortgages. The examination report shows also that the proposed trust officer was heavily indebted to the predecessor bank and that a substantial portion of his loan is classified as loss. The Board feels that any officer, director or employee whose affairs are so involved as to cause embarrassment to his bank seriously impairs his usefulness to the institution he serves, and that this condition is particularly criticizable in the case of a trust officer.

"Consideration has been given to all of the circumstances surrounding the organization and management of the applicant bank and, in view of the criticisms of the management and of the trust department of the old bank, the Board is unwilling to act upon the application of the First National Bank in Greensburg for full fiduciary powers until an examination of that bank has been made and a report

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"thereof is available in order to determine whether the institution is being operated capably and conservatively.

"In this connection it is suggested that, if possible, you arrange to have an examiner for the Federal Reserve Bank of Cleveland make an investigation of the trust department of the old bank at or prior to the next examination of the new bank by the national bank examiner, in order better to determine the qualifications of the proposed trust officer; the extent of the trust business which could safely be taken over by the applicant bank, and any other pertinent information regarding the management and operation of that department which would be of value to the Board in passing upon the application for trust powers.

"Subsequent to such examination you are requested to transmit to the Board an analysis of the national bank examiner's report and a copy of your examiner's report, together with the recommendation of your executive committee as to what action, if any, should be taken at that time upon the bank's application for fiduciary powers."

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to "The First National Bank at Orlando", Orlando, Florida, reading as follows:

"The Federal Reserve Board approves your application for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Florida, 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 fiduciary powers as set forth above. A formal certificate covering such authorization will be forwarded to you in due course.

"The Board feels that, if you are tendered any of the trusts now held by the First National Bank and Trust Company in Orlando, you should carefully scrutinize their condition and should take over only such trusts as are free from any anticipated controversies or litigation and are acceptable trusts for a national bank, and should not accept any of such trusts which, through their assumption, may be detrimental to the best interests of your institution."

Approved.

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Letter dated April 21, 1934, approved by five members of the Board, to Mr. Stevens, Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Receipt is acknowledged of Mr. Prugh's letter dated April 11, 1934, advising of the proposed reduction in the common capital stock of the 'Commercial State Savings Bank', Greenville, Michigan, from \$50,000 to \$25,000, pursuant to a plan which provides for the sale of \$50,000 of Class 'A' preferred stock to the Reconstruction Finance Corporation and \$25,000 of Class 'B' preferred stock to local interests.

"Since it appears from the information submitted that the entire amount of the released capital is to be used to eliminate objectionable assets from the bank and that concurrently with the reduction or immediately thereafter the capital of the bank will be increased to \$100,000, the Board offers no objection to the reduction in capital in the amount indicated, with the understanding, of course, that your counsel is satisfied as to the legal aspects of the case, that the reorganization of the bank will not result in any change in its corporate existence which will affect its membership in the Federal Reserve System, and that the transaction has the approval of the State Banking Department of the State of Michigan.

"In considering the plan under which the reduction in common capital stock is to be effected, it has been noted that, on the basis of the reappraisal of assets on February 23, 1934, there will remain in the assets of the bank depreciation in securities amounting to approximately \$15,453, which is sufficient to impair the bank's common capital stock in the amount of approximately \$6,945. It is assumed, however, that you have this condition in mind and that whenever it becomes feasible to do so you will obtain such further correction as may be practicable."

Approved.

Letter dated April 20, 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 Weeping Water', Weeping Water, Nebraska, from \$50,000 to \$25,000, pursuant to a plan which provides that the bank's capital shall be increased by the sale of \$25,000 preferred stock to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate approximately \$20,000 of unsatisfactory assets and to augment the surplus account \$5,000, all as set forth in your memorandum of April 11, 1934."

Approved.

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Letter dated April 20, 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 McGregor', McGregor, Texas, 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 or reduce a corresponding amount of unsatisfactory assets, all as set forth in your letter of April 11, 1934."

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 First National Bank of White Deer', White Deer, Texas, from \$45,000 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 a corresponding amount of unacceptable assets, all as set forth in your letter of April 11, 1934, and the accompanying plan of rehabilitation."

Approved.

Telegram dated April 19, 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:

"Retel March 19, 1934 application 'California Bank', Los Angeles, California Board approves reduction in capital from \$5,000,000 to \$2,500,000 in accordance with plan set forth in Sargent's letter March 2, 1934 as revised to provide for the sale of \$2,500,000 preferred stock, subject to approval of appropriate State authorities and providing none of the funds released by the reduction in capital are returned to stockholders."

Approved.

Letter dated April 20, 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 Kent', Kent, Washington, from \$50,000 to \$25,000, pursuant to a plan which provides that the entire amount of the released capital shall be used to eliminate or reduce unsatisfactory assets, as set forth in your letter of March 13, 1934. It is noted that the bank recently increased its capital by the issuance of \$25,000 preferred stock to the Reconstruction Finance Corporation."

Approved.

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 of 'The Roseburg National Bank', Roseburg, Oregon, 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 or reduce undesirable assets, all as set forth in Mr. Awalt's letter of April 14, 1934.

"In considering the plan under which the proposed reduction in capital is to be effected it has been noted that, after application of the released capital to the elimination of undesirable assets, there will remain in the bank approximately \$8,000 of loans classified as losses, \$4,000 of loans classified as doubtful, and \$2,700 of securities depreciation, as well as a large aggregate of slow assets. The Board feels that where, as in this instance, ample funds in the form of surplus and undivided profits are available, it would be preferable if provision were made for the elimination of all estimated losses rather than to carry such unsatisfactory assets in the bank, even though offset by ample surplus and profits. It is assumed, however, that if the subject bank is unable to collect or obtain adequate security for its doubtful and loss items within a reasonable time, you will require their elimination."

Approved.

Telegram dated April 20, 1934, approved by five members of the Board, to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, stating that the Board has considered the application of the

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"Commerce Union Bank", Nashville, Tennessee, 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 "Broadway National Bank of Nashville", Nashville, Tennessee, and "The Harpeth National Bank of Franklin", Franklin, Tennessee, 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 that within such time as shall be fixed by the Federal Reserve Agent at the Federal Reserve Bank of Atlanta and in any event prior to July 1, 1934,

"(1)-a-It will rehabilitate its capital structure by means of voluntary contributions and/or issuance of new common stock and/or preferred stock or otherwise, in such manner and amount as shall be approved by the appropriate supervisory authorities and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta; -b-It will charge off or otherwise eliminate all estimated losses in loans and discounts, all depreciation in stocks and defaulted securities, all depreciation in securities not in the four highest grades as classified by an investment service organization regularly engaged in the business of rating and grading securities, and all other estimated losses; depreciation in stocks owned of subsidiary banks to be based on book values of such stocks after adjustments have been effected on the books of the issuing subsidiary banks in accordance with (2) and (3) below; other charge offs or eliminations to be based on current market quotations and current examinations or credit investigations and to be of such nature and extent as shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta; -c-It will make such corrections as shall be requested by the Federal Reserve Agent at the Federal Reserve Bank of Atlanta and within such period or periods as he may prescribe, in order to remove the cause of any criticism relating to any feature of its practices, policies, management, or financial condition which has been made by the appropriate supervisory authorities;

"(2)-a-It will cause Broadway National Bank of Nashville, Nashville, Tennessee, to rehabilitate its capital structure by means of voluntary contributions and/or issuance of new common stock and/or preferred stock or otherwise, in such manner and amount as shall be approved by the appropriate supervisory authorities and shall be satisfactory to the Federal Reserve Agent

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"at the Federal Reserve Bank of Atlanta; -b-It will cause Broadway National Bank of Nashville, Nashville, Tennessee, to charge off or otherwise eliminate all estimated losses in loans and discounts, all depreciation in stocks and defaulted securities, all depreciation in securities not in the four highest grades as classified by an investment service organization regularly engaged in the business of rating and grading securities, and all other estimated losses; such charge offs or eliminations to be based on current market quotations and current examinations or credit investigations and to be of such nature and extent as shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta; -c-It will cause Broadway National Bank of Nashville, Nashville, Tennessee, to make such corrections as shall be requested by the Federal Reserve Agent at the Federal Reserve Bank of Atlanta and within such period or periods as he may prescribe, in order to remove the cause of any criticism relating to any feature of its practices, policies, management, or financial condition which has been made by the appropriate supervisory authorities;

"(3)-a-It will cause The Harpeth National Bank of Franklin, Franklin, Tennessee, to rehabilitate its capital structure in accordance with the plan heretofore approved by the Comptroller of the Currency and the Federal Reserve Agent at the Federal Reserve Bank of Atlanta, and to make the eliminations provided by such plan; -b-It will cause The Harpeth National Bank of Franklin, Franklin, Tennessee, to make such corrections as shall be requested by the Federal Reserve Agent at the Federal Reserve Bank of Atlanta and within such period or periods as he may prescribe, in order to remove the cause of any criticism relating to any feature of its practices, policies, management, or financial condition which has been made by the appropriate supervisory authorities."

and for the following purposes:

"1. To elect directors of such banks at any meeting of their respective shareholders, or at any adjournments 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 respective annual meetings of such banks.

"2. At any time prior to July 1, 1934, to act upon a proposal or proposals to create and issue common and/or preferred stock and to reduce common stock and to make such amendments to the articles of association and/or certificates of incorporation and/or by-laws of such banks as may be necessary for such purposes, such proposal or proposals to be in accordance with a plan or plans which shall be approved by the appropriate supervisory authorities and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of Atlanta."

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

Approved, together with a letter, also dated April 20, 1934, and approved by five 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 Harpeth National Bank of Franklin', Franklin, Tennessee from \$75,000 to \$37,500, pursuant to a plan which provides that the bank's capital shall be increased by \$37,500 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/or undivided profits, shall be used to eliminate sub-standard assets in the amount of approximately \$45,000, all as set forth in your letter of February 17, 1934."

Telegram dated April 19, 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 "Sebastapol National Securities Company", Sebastapol, 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 Sebastapol National Bank", Sebastapol, California, and has authorized the issuance of a limited permit to the applicant for the following purpose:

"At any time prior to July 1, 1934 to act upon a proposal to increase the capital stock of such bank by the issuance and sale to the Reconstruction Finance Corporation of \$25,000 par value preferred stock and to amend the articles of association of such bank accordingly, provided that such proposal shall have been approved by the Comptroller of the Currency."

The telegram stated also that the Board is not authorized to make a

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retroactive amendment to a limited permit. The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Sebastapol National Securities Company, a limited voting permit in accordance with the telegram.

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to the governors of all Federal reserve banks, reading as follows:

"Upon agreement between the Federal Reserve banks affected, the Federal Reserve Board has approved the following changes in the inter-district time schedules for cash items:

		<u>From</u>	<u>To</u>
Dallas	to San Francisco	3 days	4 days
El Paso	" "	2 "	3 "
"	" Portland	3 "	4 "
"	" Richmond	4 "	3 "
"	" Chicago	3 "	2 "
San Antonio	" Salt Lake City	4 "	3 days"

Approved.

Telegram to Mr. Williams, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"Referring Mr. Fletcher's April 17 letter, Board revokes approval application First National Bank in Charleroi, Charleroi, Pennsylvania, for Federal Reserve bank stock granted April 4, 1934, and approves new application for 72 shares made pursuant to resolution adopted at meeting of board of directors held on April 16, 1934, effective if and when Comptroller of Currency authorizes bank to commence business."

Approved.

Telegram dated April 19, 1934, approved by three members of the Board, to Mr. Crane, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Your telegram 18.

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"Board approves Federal Reserve Bank of New York advising Banco de Mexico that, in connection with its operations in foreign exchange for purpose of stabilizing dollar-peso exchange rate, your bank is willing to earmark gold for account of Banco de Mexico in accordance with license granted to your bank by Secretary of Treasury. It is noted that if transaction results in request from Banco de Mexico to open account for them on books of your bank, matter will be submitted to Board for approval in regular way."

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to Mr. Butler O. Bower, Cashier of The Nanticoke National Bank, Nanticoke, Pennsylvania, reading as follows:

"Your letter of March 19, 1934, addressed to the Comptroller of the Currency, regarding the payment of interest by your bank on deposits made by your city school district, captioned Sinking Funds, Teachers Salary Funds and General Funds, has been referred to the Federal Reserve Board for reply.

"As you know, Section 19 of the Federal Reserve Act as amended excepts from the prohibition therein contained against the payment of interest by member banks on deposits payable on demand deposits of public funds made by or on behalf of any State, county, school district, or other subdivision or municipality, with respect to which payment of interest is required under State law. It is understood that you request to be advised whether the payment of interest is required under the law of the State of Pennsylvania with respect to the funds referred to in your letter. Inasmuch as the determination of this question depends upon the effect of local law, your letter has been referred to the Federal Reserve Bank of Philadelphia for consideration and reply.

"It is noted, however, that you state that the funds here in question are carried by your bank in its savings ledgers; and in this connection your attention is called to the fact that the prohibition in the law against the payment of interest on deposits is applicable only to deposits which are payable on demand. Accordingly, if such funds in fact constitute funds accumulated for bona fide thrift purposes and otherwise conform to the definition of savings deposits contained in Section V of the Board's Regulation Q, the prohibition against the payment of interest on deposits payable on demand would not apply and it would, therefore, be unnecessary to determine whether the payment of interest is required under State law with respect to such funds. However, the question whether such deposits may be regarded as savings deposits is one upon which it is not believed that any general rule can be prescribed and each case

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"should be determined upon the basis of its own particular facts. It would not be practicable for the Federal Reserve Board to undertake to determine such questions in individual cases and the Board feels that these are questions upon which each member bank should exercise its best judgment in the light of the provisions of the law and the regulation. As indicated in the regulation, however, if the circumstances with respect to any deposit are such as to raise a question as to whether it is properly classified as a savings deposit, the bank must be prepared to show clearly that it is a deposit consisting of funds accumulated for bona fide thrift purposes and that it otherwise complies with the definition of savings deposits set forth in the regulation."

Approved, together with a letter, also dated April 21, 1934, and approved by five members of the Board, to Mr. Austin, Federal Reserve Agent at the Federal Reserve Bank of Philadelphia, reading as follows:

"There is inclosed herewith a copy of a letter from the cashier of The Nanticoke National Bank, Nanticoke, Pennsylvania, dated March 19, 1934, regarding the right of that bank to pay interest on deposits made by a city school district, captioned Sinking Funds, Teachers Salary Funds, and General Funds, together with a copy of the Board's letter in reply thereto which is self-explanatory.

"In accordance with the procedure set forth in the Board's letter of August 22, 1933 (X-7558), it is requested that you submit to counsel for your bank the question whether the payment of interest is required under State law with respect to the funds here in question and that you advise The Nanticoke National Bank in accordance with counsel's opinion in this matter, unless there appears to be doubt as to the proper interpretation to be placed upon the State law and it is considered advisable to present the matter to the Federal Reserve Board. If this question is submitted to the Board, it will be appreciated if you will furnish to the Board copies of all pertinent provisions of the State law, a copy of an opinion of counsel for the Federal Reserve Bank discussing all aspects of the question fully and in detail, and a copy of an opinion on the question rendered by the Attorney General or other State official having similar authority, together with any other information which may be relevant.

"The Board requests that you furnish it with a copy of any opinion which counsel for the Federal Reserve Bank may render in connection with this matter, even though it is not considered necessary to present the matter to the Federal Reserve Board for a ruling.

"Inasmuch as similar questions involving the same law may be presented to the Federal Reserve Bank of Cleveland, and in view of the desirability of securing uniform rulings in this matter, it is suggested that you confer with the Federal Reserve Bank of Cleveland

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"before advising The Nanticoke National Bank of your opinion in the premises."

Letter dated April 21, 1934, approved by five members of the Board, to Mr. E. D. Moody, President of The First National Bank of Dennison, Ohio, reading as follows:

"Your letter of March 17, 1934, addressed to the Comptroller of the Currency, regarding the payment of interest by your bank on savings accounts balances, has been referred to the Federal Reserve Board for reply.

"You state that your bank was authorized to begin business on October 16, 1933 at which time it assumed payment of 70% of the deposits in the Dennison National Bank; and that the bylaws of the new bank stipulate that interest shall be paid on amounts on deposit for full six months. In these circumstances, it is understood that you request to be advised whether your bank may lawfully pay interest to April 1, 1934, on savings accounts which were received by your bank on or after October 16, 1933, and which, therefore, have been on deposit for periods of less than six months.

"It is the view of the Federal Reserve Board that if the accounts in question in fact consist of funds accumulated for bona fide thrift purposes and otherwise conform to the definition of savings deposits contained in Regulation Q, interest may lawfully be paid thereon under the provisions of the Federal Reserve Act at a rate not in excess of that prescribed in the said regulation for a period ending March 31, 1934, or April 1, 1934, notwithstanding the fact that such funds have actually been on deposit with the bank for periods of less than six months. However, as indicated in Section V, subsection (c) of Regulation Q, the amount of interest actually paid on any such deposit, accruing after October 31, 1933, may not exceed 3% per annum, compounded semi-annually, for the period during which the deposit actually represented a savings deposit as defined in subsection (a) of that section."

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to Mr. V. W. Arpke, Assistant Cashier of the First National Bank of Corvallis, Oregon, reading as follows:

"Receipt is acknowledged of your letter of April 5, 1934, relative to the withdrawal of savings deposits. You state that

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"your bank requires notice prior to the withdrawal of savings deposits, but that you would like to permit the withdrawal without notice of deposits belonging to estates of deceased persons; and it is understood that you wish to be advised whether you may lawfully waive the requirement of notice with respect to such deposits without waiving such requirement as to all other classes of savings deposits.

"Section 19 of the Federal Reserve Act as amended by the Banking Act of 1933 provides that no member bank shall waive any requirement of notice before payment of any savings deposit except as to all savings deposits having the same requirement. Under the provisions of subsection (a) of Section VI of the Federal Reserve Board's Regulation Q, the payment by a member bank of any portion or percentage of the savings deposits of any depositor without requiring notice of intended withdrawal can only be made on condition that, upon request and without requiring notice, it shall pay the same portion or percentage of the savings deposits of every other depositor which are subject to the same requirement. It is the opinion of the Board that if a member bank pay any portion or percentage of a savings deposit of a depositor because of the circumstances stated in your letter or for any other reason without requiring notice of intended withdrawal, such bank would be required to pay the same portion or percentage of the savings deposits of every other depositor which are subject to the same requirement regardless of the purpose for which the withdrawals are made. The fact that circumstances exist which justify the withdrawal of the deposit cannot be regarded as a 'requirement' to which such deposit is subject within the meaning of Regulation Q."

Approved.

Letter dated April 20, 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 February 23, 1934, inclosing a copy of S.2867, entitled 'A Bill Authorizing loans by the Reconstruction Finance Corporation direct to individuals, partnerships, associations, and corporations', and requesting a report thereon. The bill would delegate to the Reconstruction Finance Corporation authority to make loans to individuals, partnerships, corporations, and unincorporated associations engaged in commercial, manufacturing, or industrial enterprises.

"In its report of April 13, 1934, on S.2946, the Board advised you that it favors the enactment of a bill (S.3101) which is pending before your Committee and which would provide for the creation of credit banks for industry. As you know, since S.3101 was introduced, a substitute measure has been proposed by Senator Glass which has

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"had the consideration of your Committee.

"It is believed that either the bill S.3101 or the substitute measure proposed by Senator Glass will accomplish fully the purposes of S.2867, and that, if either of such measures is enacted, the legislation proposed in S.2867 will be unnecessary. Accordingly, the Board does not favor the enactment of S.2867."

Approved.

Letter dated April 19, 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:

"This refers to Mr. Stewart's letter of March 31, with the inclosed application of the Cass Bank & Trust Company of St. Louis for the cancelation of 120 shares of Federal Reserve bank stock, made pursuant to a resolution adopted by the Board of Directors of the bank on March 14, 1934, following a reduction of \$200,000 in surplus.

"The records of the Board indicate that on April 2 the Reconstruction Finance Corporation purchased \$300,000 of capital notes of the subject bank, which would more than offset the reduction in surplus. In the circumstances the instant application is being filed without action and it is suggested that if, on the basis of its revised capital structure, the bank does not hold the required amount of Federal Reserve bank stock a new application for adjustment in the holdings of such stock be obtained from the bank and submitted to the Board."

Approved.

Letter dated April 19, 1934, approved by five members of the Board, to Mr. Russell C. Flom, Credit Manager of The Menasha Products Company, Menasha, Wisconsin, reading as follows:

"Receipt is acknowledged of your letter of April 9 in regard to the use of trade acceptances in the particular circumstances outlined in your letter.

"While the Federal Reserve Board has had direct contact with the developments in the use of bankers' acceptances during the past twenty years, it has not been so closely in touch with the practices of particular industries with respect to trade acceptances or the possible effect of individual codes upon trade acceptances in the industries to which such codes apply.

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"The Federal Reserve Board, however, is in sympathy with sound measures for encouraging the use of trade acceptances and it would view with regret any proposal that would unnecessarily discriminate against them.

"The American Acceptance Council, the offices of which are located at 120 Broadway, New York, New York, is interested in furthering a sound acceptance business in this country and may be of help to you in your present problem."

Approved.

Telegram dated April 19, 1934, approved by four members of the Board, to Mr. McClure, Federal Reserve Agent at the Federal Reserve Bank of Kansas City, reading as follows:

"Your wire April 17 regarding revised form of report of examination. The preparation of the printed forms has been left to the reserve banks in order that each bank may adapt the report to its own needs and incorporate such changes and additions as come within the scope outlined in the Board's letter X-7857. The Board, however, would look with favor upon any arrangement you might make on a mutually satisfactory basis with other reserve banks for a consolidated printing order. It is understood that some of the banks have already placed the forms in the hands of the printers."

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to Mr. Albert V. Foster, Toledo, Ohio, reading as follows:

"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a Vice President and Director of The Fayette State Savings Bank, Fayette, Ohio, and as General Partner of Spitzer, Rorick & Company, Toledo, Ohio.

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

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"authority to issue permits should be exercised only in exceptional cases; for example, those which are included within the literal terms of the statute but which are actually of a kind different from those at which its provisions were directed.

"It appears that Spitzer, Rorick & Company is primarily engaged in the business of purchasing and selling securities as a dealer, and that therefore the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application.

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

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to Mr. Marvin H. Rorick, Toledo, Ohio, reading as follows:

"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of The Fayette State Savings Bank, Fayette, Ohio, and as general partner of Spitzer, Rorick & Company, Toledo, Ohio.

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

"It appears that Spitzer, Rorick & Company is primarily engaged in the business of purchasing and selling securities as a dealer, and that therefore the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant

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"your application.

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

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to Mr. Horton C. Rorick, Toledo, Ohio, reading as follows:

"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director and vice-president of The Fayette State Savings Bank, Fayette, Ohio, and as general partner of Spitzer, Rorick & Company, Toledo, Ohio.

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

"It appears that Spitzer, Rorick & Company is primarily engaged in the business of purchasing and selling securities as a dealer, and that therefore the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application.

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

Approved.

Letter dated April 21, 1934, approved by five members of the Board, to Mr. William A. Pohl, Cincinnati, Ohio, reading as follows:

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"The Federal Reserve Board has given consideration to your application under Section 32 of the Banking Act of 1933 for a permit to serve at the same time as a director of the Second National Bank and as an officer and director of Grau and Company, both of Cincinnati, Ohio.

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

"It appears that Grau and Company is primarily engaged in the business of purchasing and selling securities as a dealer, and that therefore the relationship covered by your application is within the class which that section was designed to terminate. Accordingly, the Board is unable to find that it would not be incompatible with the public interest as declared by the Congress to grant your application.

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

Approved.

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

"Reference is made to the application of Mr. Edmund L. Clark, 239 Main Street, Hackensack, New Jersey, for permission under the provisions of the Clayton Act to serve at the same time as an officer of The City National Bank and Trust Company of Hackensack, Hackensack, New Jersey, and as a director of the Rochelle Park Bank of Rochelle Park, N. J., Rochelle Park, New Jersey. The applicant states in his application that he represents the City National Company, Hackensack, New Jersey, the holding company affiliate of the Rochelle Park Bank, on the board of directors of the subsidiary bank.

"Mr. Dillistin's letter of March 26, 1934, advises that the City National Company, which has not filed an application for a permit

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"to vote the shares owned of its subsidiary bank, did not vote the shares owned at the shareholders' meeting of the Rochelle Park Bank on January 9, 1934, and that Mr. Herbert V. Widman, Cashier of The City National Bank and Trust Company of Hackensack, which is affiliated with the City National Company, hopes to avoid the necessity of making an application for a voting permit by bringing about, as rapidly as practicable, a severance of the affiliation existing between the City National Company and the Rochelle Park Bank.

"The Board does not feel that it can consistently give consideration to the granting of a permit to the applicant under the provisions of the Clayton Act until a voting permit has been granted to the City National Company or the holding company affiliate relationship with the Rochelle Park Bank has been discontinued. Please advise the Board as to what steps Mr. Clark proposes to take in this matter in order to comply with the provision of the Clayton Act."

Approved.

Report dated April 19, 1934, from the Committee on District No. 4 recommending the appointment of Mr. Stuart B. Sutphin, President of the I. V. Sutphin Company, Cincinnati, Ohio, as a director of the Cincinnati branch of the Federal Reserve Bank of Cleveland to succeed Mr. Fred A. Geier, deceased.

Mr. Sutphin was appointed a director of the Cincinnati branch for the unexpired portion of the term ending December 31, 1934.

Governor Black referred to the informal discussion on Friday, April 20, 1934, between the members of the Board and Governor Harrison of the Federal Reserve Bank of New York and Messrs. G. W. Davison and C. M. Woolley, members of the board of directors of the bank, at which the recommendations made by the board of directors at the first of the year with regard to the salaries of Mr. L. F. Sailer, Deputy Governor, and Mr. Allan Sproul, Assistant to the Governor and Secretary, were discussed further, and the recommendation made by the committee of directors that the Board reconsider its action with regard to these salaries

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and approve salaries for Messrs. Sailer and Sproul for the year 1934 at the rates of \$35,000 and \$18,000 per annum, respectively. Governor Black stated that he was impressed by what the directors had said during the conference, particularly with regard to Mr. Sailer's long service and Mr. Sproul's outstanding ability.

At the conclusion of the ensuing discussion, Mr. Hamlin moved that the Board reconsider its previous action with regard to the salaries recommended for Messrs. Sailer and Sproul for the year 1934.

Carried.

Mr. Hamlin then moved that a salary at the rate of \$35,000 per annum for Mr. Sailer for the year 1934 be approved.

Motion lost, Messrs. Miller, James and Szymczak voting "no" and Mr. O'Connor not voting.

Mr. Hamlin then moved that a salary at the rate of \$18,000 per annum for Mr. Sproul for the year 1934 be approved.

Carried.

Reference was also made to the discussion with the committee of directors of the Federal Reserve Bank of New York on April 20, 1934, of the applications filed by officers and directors of certain New York banks for permission to serve at the same time as directors of the Discount Corporation of New York, which were considered at the meetings of the Board on March 2 and 8 and April 12, 1934. Governor Black stated that, in view of the very full explanation given by the committee with regard to the functions performed and the operations being carried on by the Discount Corporation and the valuable service which it is rendering,

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he would be in favor of reconsidering the Board's action on March 8, 1934, and approving the recommendation of the legal division that the applications be approved. Certain points brought out during the informal discussion with the committee of directors of the New York bank were discussed further.

At the conclusion of the discussion, Mr. Miller moved that the Board reconsider its action taken at the meeting on March 8, 1934, and that Counsel be requested to prepare, for the consideration of the Board, a draft of a letter to the Federal Reserve Agent at New York stating that the Board approves the applications referred to and requesting that he obtain from the member banks involved applications for permission to act as correspondent banks for the Corporation and from the Corporation for permission to act as correspondent dealer for the member banks.

Carried.

There was then presented a letter dated April 13, 1934, from the Chairman of the Federal Reserve Bank of Chicago, which read as follows, and copies of which had been furnished to the members of the Board upon its receipt:

"Your letter of March 16, 1934, in reply to my letter of January 26, 1934, with reference to the salaries for the ensuing year as fixed by the Board of Directors of this bank for Messrs. C. R. McKay, H. P. Preston, J. H. Dillard, and A. L. Olson, was presented in full to the Board at its regular meeting on March 23, 1934.

"The salaries of these officers were recommended by the salary committee of our directors and fixed by the Board of Directors at its annual meeting on January 5, 1934, subject to your approval. In your letter of January 23, 1934, you withheld your approval of the advances in these certain cases. Thereupon, by resolution of our Board on January 26, transmitted to you in my letter of that date, you were requested to reconsider your action thereon and to approve the action of our Board.

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"Following the presentation to our Board of your letter of March 16, 1934, in which you stated your conclusion as unchanged, a full discussion ensued and the Chairman was instructed to convey to the Federal Reserve Board the views of our Board of Directors, as follows:

"The Board expressed its great disappointment that neither its original recommendation nor its subsequent request for reconsideration had met with the approval of the Federal Reserve Board.

"It recalled the fact that in the early part of 1933 the Federal Reserve Board requested a committee from this Board to meet it in Washington to confer on the conduct of the operations of this bank; at which time such committee offered, on behalf of the Board of Directors of this bank, to undertake the necessary corrections in organization and procedure and to take full responsibility for carrying out the wishes of the Federal Reserve Board in these respects; that the Federal Reserve Board expressly accepted this offer and put the responsibility for achieving these results directly on this Board; that this Board and its Executive Committee, serving without compensation, have undertaken this task with the result of a major reorganization of the staff and what it considers a marked improvement in efficiency of operation; that in this particular activity, as well as in its normal contacts with the organization and its operations, it has carefully informed itself as to the ability and the value to the bank of its individual officers, and at a time when extraordinary conditions subjected them to a severe test.

"The Board of Directors feels that it is directly charged, both by the law and by its duty to the stockholders of the bank, with the responsibility for the management of the bank, and further, that by reason of its more intimate knowledge of the affairs of the bank and its official personnel and their individual value to its operation, the considered judgment of this Board should largely govern in matters pertaining to the operation of the bank.

"It considers that if this is not the case, and to the extent that its actions in these respects do not prevail, as approval is withheld, it is relieved of the corresponding responsibility for such operation, which is thereupon assumed by the Federal Reserve Board.

"The Board did not make the recommendations for increases for the men mentioned in the first paragraph of this letter without carefully weighing the salaries that were paid by not only other Federal Reserve Banks, but also commercial banks in our city and elsewhere. The increases recommended were so meagre that it was the Board's considered judgment that they would be and should have been accepted by your Board without any question whatever, and it is still of the opinion that they should be approved by the Federal Reserve Board.

"The Board considers that if its actions in regard to responsibilities with which it is directly charged may not prevail,

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"there is little purpose in its assuming such responsibilities and devoting its time and energy thereto; and that if this Board is not competent to pass judgment on minor matters of this character, the membership of the Board of Directors itself should be changed.

"With reference to the suggestion of the Federal Reserve Board that future salary changes be jointly considered informally before formal action, our Board will welcome such action, and suggests that whatever representation the Federal Reserve Board desires shall be in Chicago at the time when our Salary Committee is considering the question of salaries.

"As the Federal Reserve Board seems to lack confidence in the judgment of the Board of Directors of this bank, in respect to officers' salaries, it is suggested that they select a representative or representatives in whose judgment they have thorough confidence, so that increases involving such moderate amounts as those now on review will be accepted by the Board in Washington without further question.

"This letter has been prepared under the instructions of our Board of Directors, and is being transmitted by the Chairman at its request and after a copy has been submitted to each of the other directors and approved by each of them as an expression of their views."

After discussion, the Secretary was requested to prepare, for the consideration of the Board, a reply to the above letter.

Governor Black reported that he and Senator Glass conferred with the President of the United States on April 20, 1934, with regard to the revised bill agreed upon by Governor Black and Senator Glass which would provide for the extension by Federal reserve banks of credit for the purpose of furnishing working capital to industrial and commercial concerns and that the President had stated that he was not advocating the purchase by the Treasury Department of the stock held by the Federal reserve banks in the Federal Deposit Insurance Corporation, but that he would approve the payment to the Federal reserve banks, out of the increment in the Treasury resulting from the reduction of the weight of the dollar, of an amount equal to the par value of such stock, to be

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used by the Federal reserve banks in connection with loans to furnish working capital, provided that such payment would not affect the budget. Governor Black stated that, accordingly, he called on the Director of the Budget on April 21, 1934, who stated while he felt that such a payment would affect the budget, it would be fair to transfer the approximately \$140,000,000 involved to the Federal reserve banks, and that subsequently the Secretary of the Treasury had advised him (Governor Black) that, while he would approve the purchase from the Federal reserve banks of the Federal Deposit Insurance Corporation stock, he would not be willing to approve the transfer of \$140,000,000 from the gold increment without such purchase, as it would undoubtedly result in requests being made from other sources for the use of the balance of the funds in that account. Governor Black added that he had made arrangements with Senator Glass and Mr. Douglas for a further conference on the matter this afternoon.

The Governor then called attention to a draft of a letter to the chairmen of all Federal reserve banks, which had been prepared by the Secretary at the suggestion of Mr. Miller, and which stated that, for the reasons referred to in the letter, the Board had reached the conclusion that it should have an opportunity, in advance of the delivery or release of any speech or article by an officer or employee of a Federal reserve bank on currency or banking matters which may raise questions of policy, to examine such speech or article and to express its position in regard to any feature that may seem to require correction or further consideration, and that, in order to facilitate the Board's consideration

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of these matters, there should be submitted to it, at least three days before the date of release or publication, two copies of such speech or article. The draft also stated that the Board does not desire that there be submitted to it for this purpose manuscripts of statements relating to matters which are of interest merely locally or to a particular Federal reserve district or which are designed solely for educational purposes as to well-established features of the Federal Reserve System, but the fact should be recognized that on many questions of public interest the System has not taken or formulated a position, and therefore a statement with respect to them, even though intended merely for local information, may become a matter of System policy. Governor Black stated that he had held the letter for a discussion of the matter at a meeting of the Board as he was not in sympathy with the position taken therein and felt that the letter should be changed to limit at least to the junior officers the requirement that speeches and articles be submitted to the Board in advance of delivery or publication and to express the hope that the senior officers will send to the Board in advance of delivery or publication copies of any speeches or articles prepared by them.

At the conclusion of a discussion, it was decided that the draft of letter should be circulated again among the members of the Board for consideration in the light of the discussion and for any comments that they may desire to make with regard thereto.

There was then presented a draft of a letter to Senator Fletcher, Chairman of the Banking and Currency Committee of the Senate, with regard to Bill S. 2955, which, among other things, would amend Section 10(b) of

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the Federal Reserve Act by striking out the provision which limits the period within which the authority conferred by that section may be exercised. The proposed letter stated that the Board favors such an amendment and has heretofore recommended that Section 10(b) be enacted in permanent form. In connection with the proposed letter, consideration was also given to a memorandum dated April 6, 1934, from Mr. Morrill stating that Mr. Miller suggests that the letter be amended to include a recommendation of a further amendment to Section 10(b) by inserting after the words "in exceptional and exigent circumstances" language to the effect that advances may be made under Section 10(b) only during any period of national emergency as determined by the Federal Reserve Board. Mr. Miller stated that, since the memorandum above referred to was written, he had considered the matter further and felt the objective which he had in mind could be reached if the section were amended to restore the provision contained in the section as it was originally passed requiring the approval of advances by Federal reserve banks by not less than five members of the Federal Reserve Board.

After discussion, the letter was ordered returned to Counsel for revision in accordance with Mr. Miller's latter suggestion.

The Governor presented a letter dated April 13, 1934, from Mr. Lichtenstein, Secretary of the Federal Advisory Council, reading as follows:

"I am writing the usual form letter to Mr. Morrill, asking the Board to be good enough to advise me if there are any topics which it desires to have the Council consider at its next regular meeting which takes place Tuesday, May 15th.

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"This is, therefore, merely a personal letter to you and I am certain that you will not take it amiss. At the recent meetings of the Council some of the members have felt that it would be better if the Board submitted such questions as they wished to put to the Council in advance of the meeting. Lately what has actually happened has been that the problems have been placed before the Council on the day of the meeting itself, or just the day preceding, and the members of the Council have felt that they were not given fair opportunity to really consider the problem and were given no opportunity to consult people in their own district.

"The result has been that the Council has declined on several of these occasions to make any recommendation. As for example at the last meeting where it was suggested that the Council might make a recommendation in regard to your proposed Intermediate Credit Banks and also in respect to the problem of long term bond issues, you may remember that the Council declined to make any recommendation in respect to these matters.

"Naturally, I realize as you do too that something might come up so unexpectedly that there is no opportunity to present it to the members of the Council in advance, but I should suppose ordinarily such would not be the case. As you may imagine, my only interest in the matter is, since in accordance with the by-laws of the Council I am supposed to be a clearing house for the Board and the members of the Council in advance of the meeting, to bring about an orderly procedure."

The Secretary was requested to confer with the individual members of the Board with regard to any suggestions that they may have as to topics which the Board should request the Council to discuss at the forthcoming meeting.

The Secretary reported that after the discussion at the meeting of the Board on April 12, 1934 with regard to the request of the Secretary of the Treasury that the Board move its offices to the first floor of the Treasury building, Governor Black had appointed a committee consisting of Messrs. Szymczak, Hamlin and Miller, to study the matter and submit a report thereon to the Board.

Mr. Szymczak stated that the committee had inspected the space proposed by the Secretary of the Treasury to be occupied by the Federal Reserve Board and had found that, while three members of the Board would

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have satisfactory space, it would be necessary to assign to the other members space that would not be satisfactory, and that the Board's staff would be crowded into space which would be inadequate. The committee then discussed, Mr. Szymczak said, the possibility of finding satisfactory space outside of the Treasury building, and in this connection visited the building now occupied by the Department of Justice at Vermont Avenue and K Street and the Washington Building at Fifteenth Street and New York Avenue; that the Department of Justice offices are in a very unsatisfactory condition and infested with vermin; that space on the eighth floor of the Washington Building which has been occupied by the Reorganization Division of the office of the Comptroller of the Currency and which will be available in May, in the opinion of the committee, is readily adaptable to provide adequate and very satisfactory space for the Board's offices; and that this space could be obtained at an annual rental of \$2.00 per square foot. In considering the advisability of moving out of the Treasury building, Mr. Szymczak said the committee felt that such action would be the best possible assurance that the Board would take reasonably prompt steps to provide a suitable building in which to house its activities, whereas if the Board's offices are continued in the Treasury building, it is possible that adequate quarters will not be provided for a long time in the future. Mr. Hamlin stated that he had a strong sentiment in favor of remaining in the Treasury building, but that he could not escape the feeling that the offices now occupied by the Board are inadequate, that the space proposed on the first floor is more unsatisfactory, as well as inadequate, and that

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he would favor moving to the Washington Building.

Mr. O'Connor stated that in 1933 when he was looking for space in which to house the activities of the Federal Deposit Insurance Corporation, he had looked at a number of buildings, and that, while no space was available in the Washington Building at that time, and, therefore, the Federal Deposit Insurance Corporation had located elsewhere, he felt that the building offers the space best adapted for the purposes of the Board, and that he felt sure no mistake would be made by the Board in moving its offices to the space now occupied by the Reorganization Division. With regard to the question of providing a building of its own, Mr. O'Connor stated that he felt such a project would aid in the recovery program, that it would be a desirable step, and that immediate steps should be taken by the Board to provide such a building.

Governor Black stated that he was inclined to the feeling that there is a very serious question as to how the prestige of the Board would be affected by its moving out of the Treasury building.

Mr. Wyatt called attention to the fact that the provision contained originally in Section 10 of the Federal Reserve Act that the Secretary of the Treasury may assign offices in the Department of the Treasury for the use of the Federal Reserve Board was eliminated by the Banking Act of 1933, and that, in his opinion, serious question could be raised as to whether the Secretary of the Treasury now has authority to assign space to the Federal Reserve Board. He also stated that, with regard to the erection of a building for the offices of the Federal Reserve Board, there are three possibilities under the present law: (1) It could be contended that the Federal Reserve Board, as one of its incidental

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powers, has authority to construct a building in which to house its activities; (2) The Federal reserve banks, instead of paying assessments to the Board for the purpose of enabling the Board to pay rent, might themselves construct a building in Washington for the use of the Federal Reserve Board; and (3) A request might be made of the Public Works Administration for funds with which to erect a building, the title of which undoubtedly would be taken in the United States. Mr. Wyatt stated, as to the first suggestion, that although one of the law clerks in his office had studied the matter carefully and had reached a favorable conclusion, he felt there was considerable doubt that the Board has such authority; that he felt the second position could be sustained but might be criticized, and that, in his opinion, the best thing to do under the circumstances, is to include a paragraph in the Stock Exchange Bill or in the bill authorizing the Federal reserve banks to make loans for the purpose of furnishing working capital to industrial and commercial concerns, which would authorize the Board to purchase or construct a building for its use and to assess the cost against the Federal reserve banks. Mr. Morrill suggested that, in considering the desirability of requesting legislative authority for the erection of a building, the Board should give careful consideration to what its position would be if such authority were not granted.

Mr. O'Connor moved that the Board request authority from Congress to purchase or construct a building in which to house its activities in the District of Columbia, and that the Governor be asked to take the matter up with the Secretary of the Treasury and the President of the United States and request their cooperation in securing such authority.

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Mr. Szymczak moved, as a substitute for Mr. O'Connor's motion, that the Governor be authorized to take such action as may be suitable to obtain a building in which to house the activities of the Federal Reserve Board.

Mr. Szymczak's substitute motion was carried.

Governor Black stated that, in accordance with the above action, he would advise the Secretary of the Treasury that the space proposed by him for the Board's offices on the first floor of the Treasury building is not adequate and is not adapted to the Board's needs, and that the Board is unwilling to move into it, and that he would advise the Board at a meeting tomorrow of his discussion with the Secretary, when a decision could be reached as to arranging for space for the Board's offices in the Washington Building.

Mr. Hamlin called attention to the fact that the Division of Research and Statistics had submitted to the members of the Board a second draft of the annual report covering operations for the year 1934.

It was understood that the members would read the report and submit any suggestions which they may have to make with regard thereto not later than Thursday, April 26.

Letters dated April 21, 1934, approved by five members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. A. M. Collier, for permission to serve at the same time as a director of The First National Bank of Klamath Falls, Klamath Falls, Oregon, and as a director and officer of The First National Bank of Merrill, Merrill, Oregon.

Mr. Leslie Rogers, for permission to serve at the same time as a director and officer of The First National Bank of Klamath Falls, Klamath Falls, Oregon, and as a director of The First

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National Bank of Merrill, Merrill, Oregon.

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 3.</u>		
Clifton Heights National Bank, Clifton Heights, Pennsylvania	60	60
<u>District No. 7.</u>		
The National Bank of Rochelle, Rochelle, Illinois	36	36
<u>District No. 8.</u>		
South Side National Bank in St. Louis, St. Louis, Missouri	504	504
	<u>Total</u>	<u>600</u>
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 4.</u>		
The First National Bank of Georgetown, Georgetown, Kentucky	15	15
<u>District No. 5.</u>		
Boone National Bank of Madison, Madison, West Virginia	60	60
<u>District No. 6.</u>		
The First National Bank at Orlando, Orlando, Florida	6	6
<u>District No. 9.</u>		
The First National Bank of Cass Lake, Cass Lake, Minnesota	3	
Fergus Falls National Bank & Trust Co., Fergus Falls, Minnesota	15	
The First National Bank of Jordan, Jordan, Minnesota	15	
The First National Bank of New Prague, New Prague, Minnesota	9	
The Worthington National Bank, Worthington, Minnesota	36	
The First National Bank of Twin Bridges, Twin Bridges, Montana	9	
The Mitchell National Bank, Mitchell, South Dakota	12	

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Applications for ADDITIONAL Stock: (Continued)	<u>Shares</u>	
<u>District No. 9. (Continued)</u>		
The First National Bank of New Richmond, New Richmond, Wisconsin	15	114
<u>District No. 12.</u>		
The First National Bank of Ilwaco, Ilwaco, Washington	7	7
	Total	202

Approved.

Thereupon the meeting adjourned.

Robert Morrell
Secretary.

Approved:

E. P. Black
Governor.