

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, May 17, 1934, at 2:30 p. m.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Martin, Assistant to the Governor

There was presented a letter dated May 15, 1934, from Mr. John J. Jackson, General Attorney for the Westinghouse Electric Manufacturing Company, East Pittsburgh, Pennsylvania, requesting that the Board authorize Mr. Woodlief Thomas of the Division of Research and Statistics to identify certain papers and to explain, if necessary, any questions concerning the development of the Board's index of industrial production. Mr. Carpenter stated that a representative of the Westinghouse Company had explained to him that the company desires the appearance of Mr. Thomas in a suit being brought against the company in Philadelphia by the Atlantic Elevator Company of Philadelphia, and that his appearance would be solely for the purpose of identifying certified copies of the Federal Reserve Bulletins and the statement issued by the Board in July, 1933, entitled "Federal Reserve Board's Index of Industrial Production", which were furnished to the representative of the Westinghouse Company on May 14, 1934, and to answer questions which may be asked him as a witness at the trial with regard to the Board's index of industrial production.

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The letter from Mr. Jackson also stated that it would be necessary for Mr. Thomas to be away from Washington only one or two days and that the Westinghouse Company would pay his salary during his absence and the travel and subsistence expenses incurred by him in making the trip to Philadelphia.

It was pointed out that the question involved in the request is whether the Board should permit its own employees to be absent from their duties for the purpose of serving as witnesses in private litigation. It was expressed as the opinion of the members present that, inasmuch as this appears to be the first request of this kind that has come to the Board and as the Board should be prepared to offer any necessary explanation of its published statistical data, the request of the Westinghouse Company should be approved.

At the conclusion of the discussion the Secretary was requested to advise Mr. Jackson that, while the Board would have preferred to have the matter handled by the taking of a deposition, it approves Mr. Thomas' appearance at the trial for the purpose referred to, upon his being subpoenaed as a witness, with the understanding that the Board will be reimbursed for his salary during his absence and for the expenses incurred by him in making the trip.

The Committee then considered and acted upon the following matters:

Telegram dated May 17, 1934, from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, advising that, because of the absence of a quorum, the regular meeting of the board of directors of the bank was not held today, and that, accordingly, no change was

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made in the bank's existing schedule of rates of discount and purchase.

Noted.

Letter to Mr. Peyton, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"Receipt is acknowledged of your letter of April 28, 1934, requesting approval of an expenditure by your bank covering the cost of preparing a testimonial for Mr. Paul J. Leeman, Class A director of the Federal Reserve Bank of Minneapolis who died on January 11, 1934.

"Your letter does not state the cost of preparing the testimonial but, on the assumption that it will not be in excess of \$100.00, the Board interposes no objection to the proposed expenditure by your bank."

Approved.

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

"There is transmitted herewith for your consideration an application of The Valley Bank and Trust Company, Phoenix, Arizona, a member bank, for permission to establish and operate branches at Coolidge, Kingman and Superior, Arizona.

"At the present time The Valley Bank and Trust Company is operating the following branches, all located in the State of Arizona:

<u>Location</u>	<u>Date Established</u>	<u>Population (1930)</u>
Ajo	July 1, 1915	4,571
Clifton	June 24, 1922	2,305
Globe	June 24, 1922	7,157
Glendale	Feb. 1, 1924	3,665 (Depository only)
Hayden	June 24, 1922	2,364
Mesa	Feb. 25, 1926	3,711
Miami	June 24, 1922	7,693 (Depository only)
Prescott	June 19, 1926	5,517
Safford	June 24, 1922	1,706
Coolidge	Proposed	894
Kingman	Proposed	2,257
Superior	Proposed	4,292

"The applicant is now operating currency exchanges at Coolidge, Kingman and Casa Grande for the purpose of cashing

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"checks, handling collections and accepting deposits which are forwarded to the main office. It is stated that an application will be made at a later date for permission to establish a branch at Casa Grande.

"The Superintendent of Banks of the State of Arizona has approved the establishment of the branches and the Federal Reserve Agent at San Francisco recommends approval of the application.

"In view of the reasonably satisfactory condition of the applicant bank and the recommendation of the Federal Reserve Agent, the Federal Reserve Board recommends that you approve the establishment and operation of branches at Coolidge, Kingman and Superior, Arizona, on condition that:

1. Prior to establishment of the branches, such bank, if it has not already done so, without decreasing its capital stock or surplus, shall charge off or otherwise eliminate all losses shown in the report of credit investigation as of January 31, 1934, made by an examiner for the Federal Reserve Bank of San Francisco.

"Under the provisions of law applicable to the establishment of branches by State member banks and national banks, as you know, the bank and its branches must have the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such bank and its branches are situated. You will observe that in the present case The Valley Bank and Trust Company has a common capital stock of \$210,000 and capital debentures sold to the Reconstruction Finance Corporation amounting to \$840,000. In view of the number of the branches of The Valley Bank and Trust Company, such bank must have a capital of \$800,000 in order to comply with the aggregate capital requirements of the law just referred to, and the question is presented as to whether capital debentures sold to the Reconstruction Finance Corporation may be considered as capital in determining whether the bank has the aggregate capital required by law for the establishment of the proposed branches. The Federal Reserve Board has heretofore ruled that capital debentures sold to the Reconstruction Finance Corporation by a State bank may be included in determining whether the bank has the capital required in order that it may be eligible for admission to membership in the Federal Reserve System. The Board feels that capital debentures sold to the Reconstruction Finance Corporation by a State member bank may also properly be considered as capital in determining whether the bank has the capital required for the establishment of branches and on this basis it has recommended, as stated above, that you approve the establishment and operation of the proposed branches by The Valley Bank and Trust Company.

"The attached file includes a copy of the report of credit investigation as of January 31, 1934, and a copy of the memorandum

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

Approved.

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

"Reference is made to your letter of April 3, 1934, in regard to the pending application of the 'Mercantile National Bank at Dallas', Dallas, Texas, for permission to exercise full fiduciary powers.

"The Board has considered this application in the light of the information contained in the report of examination of the bank made by the national bank examiners as of February 14, 1934, and the report of examination of the trust department made by your trust examiner as of the same date, together with the information heretofore made available in connection with the application, and, in view of all of the facts and circumstances involved, is unwilling at this time to grant the applicant bank any fiduciary powers in addition to those already authorized in the Board's letter to the bank under date of September 21, 1933.

"The action of the Board in this matter has been influenced largely by the unsatisfactory condition of the applicant as reflected in the recent report of examination, the apparent inability of the management to make satisfactory progress in eliminating the large amount of unsatisfactory and nonconforming assets, the undesirability of a number of the corporate trusts being administered by the bank, and the apparently unsatisfactory supervision given the trust department by the trust committee.

"Consideration has been given to the recommendation of your executive committee that the applicant bank be given permission to accept and administer court and testamentary trusts as executor, administrator, guardian of estates, committee of estates of lunatics, or trustee, subject to certain conditions. The granting of such authority would no doubt be of value to the bank in the conduct of its general banking business and, it is assumed, would enable the bank to handle most of the trust business which might be offered to it. The Board, however, does not make a practice of imposing conditions when granting trust powers and feels that the bank should correct, to the fullest possible extent, its unsatisfactory features as set forth in the preceding paragraph and demonstrate its ability to administer its present trust business in a satisfactory manner before any additional powers are granted.

"The Board will, therefore, defer action on the pending

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"application of the Mercantile National Bank at Dallas, Dallas, Texas, for full fiduciary powers, until after an examination has been made subsequent to the expiration of a six months' period from the date of the last examination, during which period it is hoped the bank may adopt the suggested changes contained in the conditions recommended by your executive committee, and may also be able to make a more satisfactory showing in regard to the matters of criticism now existing in this institution. Please advise the applicant bank accordingly."

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 National Exchange Bank and Trust Company of Steubenville', Steubenville, Ohio, from \$500,000 to \$200,000, pursuant to a plan which provides that the bank's capital shall be increased by \$300,000 of preferred stock to be sold to the Reconstruction Finance Corporation and that the released capital shall be used to eliminate a like amount of substandard assets and securities depreciation, all as set forth in your memorandum of May 8, 1934."

Approved.

Telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has considered the application of the "Transamerica Corporation", San Francisco, California, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, authorizing such organization to vote the stock which it owns or controls in "The First National Bank of Portland", Portland, Oregon, and has authorized the issuance of a limited permit to the applicant, subject to the following conditions:

"First. That applicant has fully carried out the agreement made by it as a condition of the issuance of the limited voting permit authorized in the Board's ANCIGAR telegram to you of

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"January 8 as amended by Board's telegrams of January 29, February 10 and March 9. Second. That simultaneously with the issuance of the limited voting permit hereby authorized there shall be issued to Transamerica Bank Holding Company, San Francisco, California, and to The First National Corporation of Portland, Portland, Oregon, the limited voting permits authorized in the Board's telegram to you of even date herewith."

and for the following purpose:

"At any time prior to July 1, 1934, to act upon a proposal or proposals to approve or ratify an agreement of consolidation between The First National Bank of Portland, Portland, Oregon, and the Security Savings and Trust Company, Portland, Oregon, under the charter of the former, and to take such other action as is necessary to effect such consolidation, provided that such consolidation is in accordance with a plan which shall have been approved by the Comptroller of the Currency and the supervisory authorities of the State of Oregon and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco."

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

Approved.

In connection with the above there was presented a second telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has considered the application of the "Transamerica Bank Holding Company", San Francisco, California, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, authorizing such organization to vote the stock which it owns or controls in "The First National Bank of Portland", Portland, Oregon, and has authorized the issuance of a limited permit to the applicant, subject to the

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following conditions:

"First. That applicant has fully carried out the agreement made by it as a condition of the issuance of the limited voting permit authorized in the Board's ANCIGAR telegram to you of January 8 as amended by Board's telegrams of January 29, February 10 and March 9. Second. That simultaneously with the issuance of the limited voting permit hereby authorized there shall be issued to Transamerica Corporation, San Francisco, California, and to The First National Corporation of Portland, Portland, Oregon, the limited voting permits authorized in the Board's telegrams to you of even date herewith."

and for the following purpose:

"At any time prior to July 1, 1934, to act upon a proposal or proposals to approve or ratify an agreement of consolidation between The First National Bank of Portland, Portland, Oregon, and the Security Savings and Trust Company, Portland, Oregon, under the charter of the former, and to take such other action as is necessary to effect such consolidation, provided that such consolidation is in accordance with a plan which shall have been approved by the Comptroller of the Currency and the supervisory authorities of the State of Oregon and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco."

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

Approved.

There was presented also a third telegram to Mr. Newton, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, stating that the Board has considered the application of "The First National Corporation of Portland", Portland, Oregon, for a voting permit under the authority of section 5144 of the Revised Statutes of the United States, as amended, authorizing such organization to vote the stock which it owns or controls in "The First National Bank of

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"Portland", Portland, Oregon, and has authorized the issuance of a limited permit to the applicant, subject to the following condition:

"That simultaneously with the issuance of the limited voting permit hereby authorized there shall be issued to Transamerica Corporation, San Francisco, California, and to Transamerica Bank Holding Company, San Francisco, California, the limited voting permits authorized in the Board's telegrams to you of even date herewith."

and for the following purpose:

"At any time prior to July 1, 1934, to act upon a proposal or proposals to approve or ratify an agreement of consolidation between The First National Bank of Portland, Oregon, and the Security Savings and Trust Company, Portland, Oregon, under the charter of the former, and to take such other action as is necessary to effect such consolidation, provided that such consolidation is in accordance with a plan which shall have been approved by the Comptroller of the Currency and the supervisory authorities of the State of Oregon and shall be satisfactory to the Federal Reserve Agent at the Federal Reserve Bank of San Francisco."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to The First National Corporation of Portland, a limited voting permit in accordance with the telegram.

Approved.

Telegram to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"Pursuant to recommendation your telegram May twelfth Board extends to May 25 time within which W. C. Bristol, Attorney for Anglo California National Bank of San Francisco may file evidence referred to Board's telegram May 3."

Approved.

Memorandum dated May 11, 1934, from Mr. Smead, Chief of the Division of Bank Operations, transmitting annual reviews submitted

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by the Federal reserve agents as of December 31, 1933, in compliance with the Board's letters of December 4, 1926 (X-4739), and October 5, 1933 (X-7629), covering each member bank located in outlying sections of central reserve and reserve cities, except New York City, which has been authorized by the Federal Reserve Board to carry reduced reserves, and stating that all of the Federal reserve agents recommend that present reserve requirements in the case of these banks be continued, except that the Federal Reserve Agent at the Federal Reserve Bank of Cleveland, in submitting his report, stated that the proposed establishment of a downtown branch by the Forbes National Bank, Pittsburgh, Pennsylvania, might make a substantial change in the character of the bank's business, in which event consideration would be given to the matter of recommending a revocation of the permission to carry reduced reserves previously granted to that bank; that such a branch was authorized by the Comptroller of the Currency on January 29, 1934; and that, according to a report received from the Federal Reserve Bank of Cleveland, it was established on the same date. The memorandum stated also that it is believed that, with the exception of the Forbes National Bank of Pittsburgh, Pennsylvania, all of the member banks that had authority at the end of 1933 to carry reduced reserves should continue to have such permission, inasmuch as they appear to be located in outlying districts and the character of their business is typical of banks located in and serving primarily outlying communities in the cities in which they are located; that, since the Forbes National Bank has established a branch in the downtown district, it is believed that

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it should be required to maintain a 10 per cent reserve on demand deposits, the same as downtown banks in Pittsburgh; and that, therefore, it is recommended that the Federal reserve agents be advised that no changes will be made at this time in the list of banks authorized to carry reduced reserves with the exception of the Forbes National Bank of Pittsburgh, in which case it is recommended that such permission be rescinded effective at the beginning of the next semi-monthly reserve computation period. The recommendations were approved by five members of the Board on May 16, 1934.

Approved.

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

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 9.</u> National Bank of Commerce in Mankato, Mankato, Minnesota	72	72
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 4.</u> The Firestone Park Trust & Savings Bank, Akron, Ohio	450	
The Peoples State Bank Company, Archbold, Ohio	<u>14</u>	464
<u>District No. 6.</u> The First National Bank of Tuscaloosa, Tuscaloosa, Alabama	105	105
<u>District No. 7.</u> Amalgamated Trust & Savings Bank, Chicago, Illinois	150	150
<u>District No. 8.</u> Chippewa Trust Company, St. Louis, Missouri	150	150

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Applications for ADDITIONAL Stock: (Continued)District No. 9.

The First National Bank of Napoleon,
Napoleon, North Dakota
The First National Bank of Rapid City,
Rapid City, South Dakota

Shares

	10	
	39	49
<u>Total</u>		<u>918</u>

Applications for SURRENDER of Stock:District No. 6.

The Citizens Bank & Trust Company,
Bainbridge, Georgia

	22	22
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Approved.

Thereupon the meeting adjourned.

Robert Moriel
Secretary.

Approved:

ER Hady
Governor.