

A meeting of the Federal Reserve Board was held in Washington on Thursday, May 24, 1934, at 11:00 a. m.

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

Mr. Morrill, Secretary
Mr. Harrison, Governor of the Federal Reserve Bank of New York.

Governor Black stated that he had received a telephone request from Congressman Wright Patman for a list of salaries of officials of certain Federal reserve banks.

After discussion, the following letter to Congressman Patman was approved and the Secretary was requested to send copies to the chairmen of all Federal reserve banks for their information:

"In response to your telephone request for a list of salaries of officials of certain Reserve Banks, I beg to hand you a copy of the last published report of the Board which gives information as to salaries of the two highest officers of each Reserve Bank and the total salaries paid officials of each Reserve Bank.

"I beg to advise that such salaries are paid entirely by the Reserve Banks and that the Board feels that any further information should be furnished at the request of Congress, or an appropriate committee of Congress. This is in accordance with the previous attitude of the Board and the System. We will be glad to comply with any such Congressional request."

Mr. Morrill stated that Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, called on the long distance telephone yesterday afternoon and said that information had come to him from the Burns Detective Agency, the Secret Service and the United States District Attorney at Minneapolis to the effect that

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communistic activities were involved in the local labor disturbances and that some of the agitation on the part of the communists was being directed against the Federal Reserve Bank of Minneapolis, by reason of which it would be advisable for the Federal Reserve Bank of Minneapolis to increase its protective measures. Mr. Morrill added that Mr. Peyton said that the guard force had been doubled; that outlooks had been placed in the street to signal the bank in case of any approaching disturbance; and that persons who were not known to have business in the bank were not permitted to enter. Mr. Morrill also stated that Mr. Peyton said that in view of the circumstances he felt it would be desirable if arrangements could be made with the War Department to instruct the Commanding Officer at Fort Snelling, which is within twenty minutes of the Federal Reserve Bank of Minneapolis, to hold his troops in readiness for call in case they were needed for the protection of the bank. Mr. Morrill said that he reported this conversation to Governor Black, Mr. Thomas being present at the time, and that thereafter he succeeded in reaching Assistant Secretary of War Woodring and General MacArthur, Chief of Staff of the United States Army, both of whom promised complete cooperation and each of them authorized Mr. Morrill to advise the Federal Reserve Agent that he could convey a message to the Commanding Officer at Fort Snelling requesting him to cooperate with the Federal Reserve Bank. Mr. Morrill also reported that General MacArthur said that he would confirm the request by wire.

Mr. Morrill thereupon presented a telegram which he had just

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received from Mr. Peyton stating that arrangements with Fort Snelling had been completed and suggesting that it might be desirable publicity to have a statement issued by the proper Washington authority that Federal troops at Fort Snelling were mobilized for the protection of the Federal reserve bank, the Federal post office and other Federal property should the occasion require, and that such a statement might eliminate the possible necessity for the use of troops later.

After discussion, the Secretary was authorized to advise Mr. Peyton as set forth in the following telegram:

"Statement such as that suggested your telegram of this date would have to be approved by War Department, and Board feels that in the absence of further developments it is preferable not to take such action."

The Board then considered and acted upon the following matters:

Memorandum dated May 19, 1934, from Mr. Paulger, Chief of the Division of Examinations, recommending that Mr. L. S. Myrick, technical clerk in the Division of Bank Operations, and who has been designated an Assistant Federal Reserve Examiner, be designated Federal Reserve Examiner, effective immediately, with no change in salary or working status.

Approved.

Memorandum dated May 21, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated May 16 from Mr. Helm, Deputy Governor and Cashier of the Federal Reserve Bank of Kansas City, which requested approval of a change in the personnel classifi-

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cation plan of the Omaha branch to provide for the new position of "clerk (telegraph)" in the general service department, and stating that the committee has reviewed the proposed change and recommends that it be approved. The recommendation was approved by six members of the Board on May 23, 1934.

Approved.

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

"Re Telegram May 21 regarding Central State Bank, McKinney, Texas. If you are satisfied that report of examination by national examiners in contemplation of conversion into national bank correctly reflects the condition of the bank and are satisfied to make your recommendation to the Board on the basis of such report, the report will be acceptable for certification purposes in lieu of a report of examination by your examiners."

Approved.

Letter dated May 23, 1934, approved by six members of the Board, to "The Union National Bank in Minot", Minot, North Dakota, reading as follows:

"This refers to the resolution adopted by the Board of Directors of your bank signifying the bank's desire to surrender its right to exercise the trust powers which have been granted to it by the Federal Reserve Board.

"The Board understands that The Union National Bank in Minot, Minot, North Dakota, has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to The Union National Bank in Minot certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of Section 11(k) of the Federal Reserve Act. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of Section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Federal Reserve Board to a national bank, such bank (1)

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"shall no longer be subject to the provisions of Section 11(k) of the Federal Reserve Act or the regulations of the Federal Reserve Board made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by Section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

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 the reduction in the common capital stock of 'The Calhoun National Bank', Calhoun, Georgia, from \$75,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate unsatisfactory assets, all as set forth in Mr. Awalt's letter of May 16, 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 Mumroe and Chambliss National Bank of Ocala', Ocala, Florida, from \$100,000 to \$50,000, pursuant to a plan which provides that the bank's capital shall be increased by \$50,000 of preferred stock to be sold to the Reconstruction Finance Corporation, and that the released capital shall be used to eliminate a corresponding amount of unsatisfactory assets, all as set forth in your letter of May 15, 1934."

Approved.

Letter dated May 23, 1934, approved by six members of the Board, to Mr. O'Connor, Comptroller of the Currency, reading as follows:

"In accordance with your recommendation, the Federal

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"Reserve Board approves a reduction in the common capital stock of 'The Citizens National Bank of Toluca', Toluca, Illinois, 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 a corresponding amount of unsatisfactory assets, all as set forth in your memorandum of May 11, 1934."

Approved.

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

"In accordance with Acting Comptroller of the Currency Awalt's recommendation, the Federal Reserve Board approves a reduction in the common capital stock of 'The First National Bank of Sioux Center', Sioux Center, Iowa, from \$50,000 to \$25,000, in accordance with 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 unsatisfactory assets, all as set forth in Mr. Awalt's memorandum of May 16, 1934. In this connection, it is noted that the preferred stock has already been sold to the Reconstruction Finance Corporation."

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 Elk City', Elk City, Kansas, from \$25,000 to \$12,500 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 shall be used to eliminate unsatisfactory assets in the amount of approximately \$12,000 and to establish a surplus of approximately \$500, all as set forth in your memorandum of May 10, 1934.

"In reviewing the plan under which the proposed reduction in common capital stock is to be effected, consideration has been given to the many unsatisfactory features in connection therewith, with particular reference to the asset condition of the bank, its severely criticized management and its apparent inability to

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"operate at a profit. In view of these conditions the desirability of this bank continuing its operations seems questionable and the Board's approval of the capital reduction is based upon the additional protection which will be afforded the depositors through the strengthening of its capital structure, if consummated, rather than on the desirability of the plan as a whole."

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 stock of 'The First National Bank of Rosebud', Rosebud, Texas, 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 of preferred stock 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 May 16, 1934."

Approved.

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

"The Board has considered the applications filed respectively by Atlas Corporation and Pacific Eastern Corporation for voting permits under section 5144 of the Revised Statutes, as amended, and in view of the stipulations subject to which the applications have been filed the Board is unwilling at this time to grant a voting permit to either applicant on the basis of its application. In compliance with a request made by each applicant, however, the Board tentatively sets May 29, 1934, at 11 o'clock, as the time for a hearing, to be held in the Board Room, Treasury Building, Washington, D. C., upon the question of the propriety of the Board's granting permits in view of the stipulations prescribed by the applicants. Will you please communicate with each applicant and advise the Board whether this time is satisfactory."

Approved.

Telegram to Mr. Peyton, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that the Board has given consid-

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eration to the application of the "Northwest Bancorporation", Minneapolis, Minnesota, 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 First National Bank of Knapp", Knapp, Wisconsin, 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 liquidate the said bank."

The telegram also authorized the agent to have prepared by counsel for the Federal reserve bank, and to issue to the Northwest Bancorporation, a limited voting permit in accordance with the telegram.

Approved.

Letters dated May 23, 1934, approved by six members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. H. W. Farr, for permission to serve at the same time as a director of The Greeley National Bank, Greeley, Colorado, and as a director of the Denver branch of the Federal Reserve Bank of Kansas City, Denver, Colorado.

Mr. F. S. Merstetter, for permission to serve at the same time as a director and officer of the Exchange State Bank, Kansas City, Kansas, and as a director of The Commercial National Bank of Kansas City, Kansas City, Kansas.

Mr. C. C. Morris, for permission to serve at the same time as a director and officer of The Exchange National Bank of Colorado Springs, Colorado Springs, Colorado, and as a director of The Colorado Savings Bank, Colorado Springs, Colorado.

Mr. Burt Griggs, for permission to serve at the same time as a director and officer of The First National Bank of Buffalo, Buffalo, Wyoming, and as a director and officer of the Wyoming Loan

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and Trust Company, Buffalo, Wyoming.

Mr. Richard Young, for permission to serve at the same time as a director and officer of the Wyoming Loan and Trust Company, Buffalo, Wyoming, and as a director of The First National Bank of Buffalo, Buffalo, Wyoming.

Approved.

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

Mr. Hervey E. Chesley, for permission to serve at the same time as a director and officer of The Hamilton National Bank, Hamilton, Texas, and as a director of The Perry National Bank of Hamilton, Hamilton, Texas.

Approved, together with a letter to Mr. Walsh, Federal Reserve Agent at the Federal Reserve Bank of Dallas, reading as follows:

"There is inclosed for your files a copy of the Clayton Act permit issued by the Board to Mr. Hervey E. Chesley, of Hamilton, Texas, to serve as director and officer of the Hamilton National Bank and as director of the Perry National Bank of Hamilton, both of Hamilton, Texas.

"In considering Mr. Chesley's application it was noted that the two banks which he is serving are engaged in active competition for all classes of business; that there are three banks in Hamilton which, in the opinion of the national bank examiner, is too small to support that number and in his opinion the loaning policies of the banks have resulted in some losses being incurred; and that the examiner has recommended the consolidation of two out of the three banks but that while negotiations have been in progress no definite results have been accomplished. The examiner reported that the Hamilton National Bank was not in an entirely satisfactory condition although its capital structure was strong in relation to its total deposits and that the management was weak, being dominated by its president. With respect to the Perry National Bank the examiner reported a large amount of doubtful assets and estimated losses aggregating more than the undivided profits and surplus, although in this case also the capital structure is strong when compared to the total deposits. With respect to the management the examiner reported that it is dominated by its president and that the directors depend entirely on him. In granting the permit the Board took into consideration that the applicant had been a director of the banks for many years; that his services were

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"said to have resulted in no restriction of credit or lessening of competition; that he is attorney for each of the banks and that he has been regular in his attendance at board meetings.

"In all the circumstances, the Board felt that it would be preferable to grant the permit in order to avoid any unnecessary misunderstanding by the community which might prove detrimental to the best interests of the banks but it suggests that you endeavor, in co-operation with the chief national bank examiner of your district, to bring about a strengthening of the management and a correction of the conditions which have given rise to the examiner's criticisms. The Board also desires that when you submit your recommendations as a result of your annual review of this permit you report fully as to the progress made in bringing about an improvement in the management and condition of each of these banks."

There were then presented the following applications for changes in stock of Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 3.</u>		
The Delta National Bank, Delta, Pennsylvania	45	
First National Bank at Gallitzin, Gallitzin, Pennsylvania	<u>36</u>	81
<u>District No. 7.</u>		
The First National Bank at Neillsville, Neillsville, Wisconsin	36	36
<u>District No. 8.</u>		
First National Bank in Golconda, Golconda, Illinois	<u>36</u>	<u>36</u>
	Total	153
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u>		
National Bank of America at Pittsburgh, Pittsburgh, Pennsylvania	480	480
<u>District No. 9.</u>		
The First National Bank of Swanville, Swanville, Minnesota	20	20
<u>District No. 10.</u>		
The South Broadway National Bank of Denver, Denver, Colorado	<u>135</u>	<u>135</u>
	Total	635

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Approved.

Thereupon the meeting adjourned.

Robert Howell
Secretary.

Approved:

Ed Black
Governor.