

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, September 19, 1934, at 4:30 p. m.

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

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

The Committee considered and acted upon the following matters:

Telegrams dated September 19, 1934, from Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, Mr. Austin, Chairman of the Federal Reserve Bank of Philadelphia, and Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, all advising that, at meetings of the boards of directors today, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. Sailer, Deputy Governor of the Federal Reserve Bank of New York, reading as follows:

"Referring to your letter of August 24, pending a further study of the report of the 'Survey of Activities and Expense of the Medical Division and Other Welfare Activities' forwarded to the Board with Mr. Case's letter of July 9, the Board notes with approval the reduced salaries fixed by your Board of Directors for the physicians in the Medical Division as follows:

Dr. Mary M. Crawford	\$6,700 per annum
Dr. Walden E. Muns	4,360 per annum
Dr. Belle Thomas	3,900 per annum

"The Board also notes with approval the salary of \$804 per annum fixed for Dr. Warren B. Spurge (dentist), the successor of Dr. Charles H. Large, deceased.

"The salaries provided for the three physicians named above

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"amount to \$14,960, a reduction of \$700 from the salaries previously paid, such reduction being due to a curtailment of the time they are in regular attendance at the bank. In this connection, and in connection with the Board's further consideration of the survey of activities and expense of the Medical Division, it would appreciate your advising whether arrangements can be made for a further reduction in the hours of attendance of the physicians so that not more than one physician will be on duty at the bank at any one time, and still maintain a satisfactory Medical Division."

Approved.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of September 5, 1934, with which was inclosed a copy of a letter dated September 4, 1934, addressed to you by Mr. J. Stewart Baker, Chairman of the Bank of the Manhattan Company with further reference to the disposition of the stock held by that bank in The County Trust Company, White Plains, New York.

"The Board has given consideration to your letter and that of Mr. Baker, and in accordance with your recommendation grants to the Bank of the Manhattan Company an extension of time to April 1, 1935, in which to dispose of its holdings of stock of The County Trust Company, White Plains, New York. The extension is granted with the expectation that the Bank of the Manhattan Company will continue to exert sincere efforts to dispose of the stock."

Approved.

Letter dated September 18, 1934, approved by four 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. Evans' letter of September 7, 1934, which has reference to the Board's letter of July 30, 1934, advising of an extension of time to September 1, 1934, within which 'The Marengo Banking Company', Marengo, Ohio, may comply with the provisions of membership condition numbered 17 which provides that the bank should, within three months of the date of its admission, reduce all excessive loans to amounts

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"within the limits prescribed by the laws of the State of Ohio. It has been noted that all of the bank's loans have been reduced to amounts within legal limits except the line of C. E. Smith, that the report of examination made by an examiner for the State Banking Department does not list this loan as being legally excessive although it is the feeling of your office that it is excessive, that the cashier of the bank feels that the loan can be adjusted within a reasonable time and that it is the suggestion of your office that the bank be granted an additional thirty or sixty days within which it may comply with condition numbered 17.

"In view of all the circumstances, the Board grants an extension of time to November 1, 1934, within which The Marengo Banking Company may comply with the provisions of condition of membership numbered 17, and it is requested that you advise the bank accordingly."

Approved.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. L. J. Fiegel, Vice President and Cashier of "The First National Bank of Rochester", Rochester, Minnesota, reading as follows:

"This refers to the resolution adopted on November 27, 1933, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Board understands that The First National Bank of Rochester 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 your bank 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, as amended. 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) 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

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"powers covered by section 11(k) of the Federal Reserve Act except with the permission of the Federal Reserve Board."

Approved.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. Logan, General Counsel of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of July 23, 1934 transmitting copies of statements of charges for services rendered by Messrs. Davis, Polk, Wardwell, Gardiner and Reed in connection with the actions brought against the Federal Reserve Bank of New York by Bickford's, Inc., and by Morris Finkelstein, involving certain questions arising out of the closing of the Bank of the United States. You state that the payment of the charges as submitted has been authorized by the Board of Directors of the Federal Reserve Bank of New York. It is understood that the Bickford suit has been finally disposed of and that the complaint in the Finkelstein action has been dismissed by the court with the possibility that an amended complaint may be filed. It is also understood that unless there are further proceedings in the Finkelstein case no further charges will be made by Messrs. Davis, Polk, Wardwell, Gardiner and Reed for services or expenses in connection with the litigation in question. With this understanding the Federal Reserve Board approves the payment by the Federal Reserve Bank of New York of the amount of \$8,675.01 to Messrs. Davis, Polk, Wardwell, Gardiner and Reed, for services and expenses as described in their statements transmitted with your letter."

Approved.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. G. L. Hickey, Secretary-Treasurer of the Wyoming County Bankers Association, Warsaw, New York, reading as follows:

"Receipt is acknowledged of your letter of September 5 and the copy inclosed therewith of a resolution of the Wyoming County Bankers Association favoring a reduction in interest rates paid on time deposits. This resolution has been brought to the attention of the Federal Reserve Board.

"Pursuant to the provisions of section 19 of the Federal Reserve Act, as amended by section 11(b) of the Banking Act of 1933, and after making a careful survey of banking practices

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"throughout the country, the Board fixed a limit of 3% upon the interest that may be paid by member banks of the Federal reserve system on time and savings deposits. However, there is nothing in the Board's regulations or in the considerations that led to its action that would prevent any bank or group of banks in any particular section from fixing lower rates. On the contrary, it was contemplated by the Board that, in fixing only a maximum rate, banks would be free to take such action in their own discretion, and many banks throughout the country have done so as a matter of sound banking practice.

"Recently the Board reviewed the situation throughout the country with respect to interest rates on time deposits and after carefully considering the matter it does not feel that it would be justified in lowering the maximum. Accordingly, it has notified the Federal reserve banks that no change will be made in the regulation at the present time and, as previously indicated, the action of the Board leaves member banks of the Federal reserve system generally in a position to exercise their own discretion and sound judgment as to the desirability of reductions in interest rates to meet the peculiar situations of their particular localities."

Approved.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Receipt is acknowledged of your letter of September 4, 1934, and the inclosed copies of your letter of July 30, 1934, to Mr. Gustav P. Heller and of Mr. Heller's letter to you of the same date regarding his application under the provisions of section 32 of the Banking Act of 1933 for a permit to serve as director of The Dover Trust Company, Dover, New Jersey, and as manager of L. F. Rothschild & Co., Newark Branch, Newark, New Jersey.

"The Board has noted Mr. Heller's statement to the effect that his functions as manager of the Newark Branch do not bring him into contact with the company's activities as a dealer inasmuch as the Newark Branch does almost exclusively a commission business. The Board has also noted his statements as to the small extent of the dealings between the bank and the company, as well as his explanation of his reasons for desiring to remain as a director of the bank. However, the Board agrees with you in believing that the additional facts and arguments advanced by Mr. Heller are insufficient to lead to a different conclusion from that previously reached by the Board in connection with his application.

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"As you know, the position taken by the Board in its letter to the applicant, dated July 23, 1934, a copy of which was forwarded to you, was the same as that taken with respect to other applications in which similar circumstances were present, and was adopted in order to give effect to the purposes which the Board believes Congress had in mind in enacting section 32, namely, to terminate relationships of the types described therein between member banks and dealers in securities, apparently because it was thought that such relationships might have a tendency to influence the credit and investment policies of member banks in a manner which Congress did not consider compatible with the public interest. In view of the policy thus declared by Congress, the Board feels that, except in unusual cases which are not within the class contemplated by the statute, it should not issue permits authorizing relationships which are within the prohibitions of the section."

Approved.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Consideration has been given to the information submitted with Mr. Dillistin's letter of August 21, 1934, in connection with the request of Mr. Harold C. Richard for a ruling as to the applicability of section 32 of the Banking Act of 1933 to his service as director of Manufacturers Trust Company and as officer and director of Varec Investment Corporation, Ltd., both of New York, New York.

"In his letter to you dated June 14, 1934, a copy of which was inclosed, Mr. Richard states:

'In regard to the Varec Investment Corporation Ltd., this is 100% owned by my immediate family and is merely a holding corporation, has never issued or underwritten securities and does nothing except invest its own money.'

"It appears, further, that the total purchase and sales prices of securities purchased and sold by the corporation during the years 1929 to 1933 inclusive, in terms of percentage of total assets, were as follows:

<u>Year</u>	<u>Purchases</u>	<u>Sales</u>
1929	68.6	46.8
1930	6.23	6.71
1931	2.25	1.87
1932	0.79	0.61
1933	0.50	5.78

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"In the circumstances, it would appear that the corporation is similar in its purposes and activities to the corporation referred to in the Board's letter of December 22, 1933 (X-7739), and the Board sees no reason to differ with your conclusion that section 32 of the Banking Act of 1933 should not be regarded as applicable to Mr. Richard's service as director of Manufacturers Trust Company and as officer and director of Varec Investment Corporation, Ltd."

Approved.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"There are inclosed the original and copies of a Clayton Act permit granted to Mr. Edward T. Rooney, Englishtown, New Jersey, to serve at the same time as director and officer of the First National Bank of Englishtown, Englishtown, New Jersey, and as a director of the Freehold Trust Company, Freehold, New Jersey, for transmittal by you to Mr. Rooney and the two banks, and a copy for your files. On May 22, 1934, the Board concurred in your opinion that the permit should not be granted in view of the information then in hand and the application has been reconsidered in the light of information subsequently furnished and the recommendation contained in your letter of August 14, 1934.

"In considering this application it was noted that the First National Bank of Englishtown appeared to be in poor condition when examined as of March 20, 1934. If estimated losses, doubtful assets and securities depreciation had been charged to capital accounts, the net sound capital remaining would have amounted to only 4.6% of deposits. Preferred stock sold locally and to the Reconstruction Finance Corporation has brought the total of sound capital funds to approximately 12% of deposits, but the condition of the bank's investment and loan accounts indicates the need of constant and careful attention.

"The Freehold Trust Company was reorganized in 1932 when 30% of all deposits was made available and after a period of six months 5% of the remainder was made available at the first of each month. The bank was examined by the F.D.I.C. on June 5, 1934, and had only \$63,000 in deposits subject to restriction which was to have been made available July 1, 1934. For your confidential information, the report indicated net sound capital funds amounting to only 8% of deposits. The Reconstruction Finance Corporation has agreed to purchase \$50,000 par value preferred stock, but the sale has not been completed. Assets

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"classed as slow will exceed the total of capital funds after the increase through the sale of preferred stock.

"The Board took into consideration the improvements effected and in process of completion with respect to the condition of both banks, and the fact that the management of each appears to be alive to the situation and sincerely endeavoring to improve its condition. It was also noted that Mr. Rooney's service as director of the Freehold Trust Company and as director and inactive vice president of the First National Bank of Englishtown began in 1932, after the reorganization of the Freehold Trust Company and after the acquisition of the undesirable assets that have been the cause of the difficulties of both banks, and that his services are considered especially valuable to both banks because his business contacts give him direct information with respect to agricultural credits in the territory served by both banks. In the circumstances, and in view of your recommendation, the Board concurs in your opinion that the permit should be granted but, because of the condition of the banks involved and the fact that the interlocking relationship may cause the condition of the State bank to reflect unfavorably upon the national bank, the Board suggests that you endeavor, in cooperation with the appropriate supervising authorities, to assist in the completion of plans now on foot and to bring about a more satisfactory condition in the two institutions. When you submit your recommendation as a result of your annual review of this permit, the Board requests that you report fully as to the progress made in bringing about an improvement in the condition of these banks."

Approved.

Letter dated September 18, 1934, approved by four members of the Board, to Mr. Case, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of August 29, 1934, relative to the steps which you have taken pursuant to the Board's request contained in its letter of July 31, 1934, concerning certain criticized matters noted in considering the Clayton Act application of Madison L. Toms, Morristown, New Jersey.

"In view of the facts recited in your letter, the Board approves the procedure suggested by you."

Approved.

Letters dated September 18, 1934, approved by four members

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of the Board, to the respective Federal reserve agents, stating that the Board has given consideration to the following applications for permits under the Clayton Act, and that, upon the basis of the information before it, feels that the issuance of the permits applied for would be incompatible with the public interest. Each letter also requested the agent to communicate to the applicant the Board's position in the matter, and to advise the Board promptly as to whether the applicant desires to submit any additional data, and, if not, as to what steps he proposes to take in order to comply with the provisions of the Clayton Act:

Mr. C. A. Schlapfer, for permission to serve at the same time as an officer of the Montclair Trust Company, Montclair, New Jersey, as a director of The First National Bank of Cedar Grove, Cedar Grove, New Jersey, and as a director of The Caldwell National Bank, Caldwell, New Jersey.

Mr. Frank C. Irvine, for permission to serve at the same time as a director and officer of the First National Bank in Tarentum, Tarentum, Pennsylvania, and as a director of The Citizens National Bank of Evans City, Evans City, Pennsylvania.

Mr. Thomas C. Boushall, for permission to serve at the same time as a director of The Morris Plan Bank of Washington, Washington, D. C., as a director and officer of The Morris Plan Bank of Virginia, Richmond, Virginia, and as a director of The Morris Plan Bank of Wilmington, Wilmington, North Carolina.

Mr. O. P. Graham, for permission to serve at the same time as an officer and director of the First National Bank and Trust Company of Racine, Racine, Wisconsin, as an officer and director of the West Racine Bank, Racine, Wisconsin, and as an officer and director of the State Bank of Union Grove, Union Grove, Wisconsin.

Mr. John M. Hoy, for permission to serve at the same time as a director and officer of the First National Bank of Woodstock, Woodstock, Illinois, and as a director of the State Bank of Huntley, Huntley, Illinois.

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Mr. H. C. Jamieson, for permission to serve at the same time as an officer of The First National Bank of Madison, Madison, Wisconsin, and as a director of the Bank of Poynette, Poynette, Wisconsin.

Approved.

Letters dated September 18, 1934, approved by four members of the Board, to the respective Federal reserve agents, inclosing the following Clayton Act permits; suggesting in each case that the agent advise the applicant that the permit has been granted with the expectation that his attendance at directors' meetings will be improved; and requesting that the agent, when he submits his recommendation as the result of his annual review of the permit, report fully concerning the applicant's attendance at directors' meetings:

Mr. Clarence L. Fisher, for permission to serve at the same time as a director and officer of The Lyons Falls National Bank, Lyons Falls, New York, and as a director of The Black River National Bank of Lowville, Lowville, New York.

Mr. H. P. Gould, for permission to serve at the same time as a director and officer of The Lyons Falls National Bank, Lyons Falls, New York, as a director and officer of the Lewis County Trust Company, Lowville, New York, and as a director of the First Citizens Bank and Trust Company, Utica, New York.

Mr. George R. Griffith, for permission to serve at the same time as a director of The Peoples National Bank and Trust Company of Irvington, Irvington, New Jersey, and as a director of The First National Bank of Cedar Grove, Cedar Grove, New Jersey.

Mr. S. Y. Ramage, for permission to serve at the same time as a director and officer of The First National Bank of Oil City, Oil City, Pennsylvania, and as a director of The Citizens Banking Company, Oil City, Pennsylvania.

Mr. Louis A. Johnson, for permission to serve at the same time as a director of The Union National Bank of Clarksburg, Clarksburg, West Virginia, and as a director and officer of the Community Savings and Loan Company, Clarksburg, West Virginia.

Mr. Edward J. Baker, for permission to serve at the same time

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as a director and officer of The St. Charles National Bank, St. Charles, Illinois, and as a director of the State Bank of St. Charles, St. Charles, Illinois.

Approved.

Letters dated September 18, 1934, approved by four members of the Board, to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. Horace A. Moses, for permission to serve at the same time as a director and officer of the West Springfield Trust Company, West Springfield, Massachusetts, and as a director of The Third National Bank and Trust Company of Springfield, Springfield, Massachusetts.

Mr. Theodore W. Dawes, for permission to serve at the same time as a director of The First National Bank of Blairstown, Blairstown, New Jersey, and as an officer of The Caldwell National Bank, Caldwell, New Jersey.

Mr. J. R. Einstein, for permission to serve at the same time as a director and officer of The Merchants National Bank of Kittanning, Kittanning, Pennsylvania, and as a director of The Armstrong County Trust Company, Kittanning, Pennsylvania.

Mr. John Omwake, for permission to serve at the same time as a director of the Cincinnati branch of the Federal Reserve Bank of Cleveland, Cincinnati, Ohio, as a director of The Second National Bank of Cincinnati, Cincinnati, Ohio, and as a director of The Norwood-Hyde Park Bank & Trust Company, Norwood, Ohio.

Mr. Wm. M. Carroll, for permission to serve at the same time as a director of the First National Bank of Woodstock, Woodstock, Illinois, and as a director of the West McHenry State Bank, West McHenry, Illinois.

Mr. Henry C. Murphy, for permission to serve at the same time as a director and officer of The Upper Avenue Bank, Chicago, Illinois, and as a director and officer of the First National Bank of Woodstock, Woodstock, Illinois.

Mr. Arthur R. Janes, for permission to serve at the same time as a director and officer of the First National Bank and Trust Company of Racine, Racine, Wisconsin, and as a director and officer of the North Side Bank, Racine, Wisconsin.

Approved.

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There was then presented the following application for a change in stock of a Federal reserve bank:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
Oil City National Bank,	390	390
Oil City, Pennsylvania		

Approved.

Thereupon the meeting adjourned.

Chester Morrell
Secretary.

Approved:

J. J. Thomas
Vice Governor.