

A meeting of the Federal Reserve Board was held in Washington on Friday, November 23, 1934, at 3:00 p. m.

PRESENT: Mr. Eccles, Governor
Mr. Thomas, Vice Governor
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Szymczak

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

The Board acted upon the following matters:

Letter dated November 22, 1934, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, and telegram dated November 23, 1934, from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, both advising that, at meetings of the boards of directors on the dates stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated November 23, 1934, from Mr. Morrill, Secretary, submitting the recommendation of Governor Eccles that the Board approve an increase to the rate of \$1,800 per annum, effective immediately, in the salary of Charles R. Norris, messenger assigned to the Governor's office.

Approved.

Memorandum dated November 14, 1934, from the Committee on Salaries and Expenditures, submitting a letter dated November 7 from Mr. Preston, Deputy Governor of the Federal Reserve Bank of Chicago,

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which requested approval of changes in the personnel classification plan of the bank to provide for the new positions of "purchasing agent" and "assistant purchasing agent" in the service department (equipment & supplies division) and "typist, senior" in the Federal reserve agent's department (auditing division), the discontinuance of the position of "chief" in the service department (equipment & supplies division), a change from "mail and receiving clerk" to "receiving clerk" in the title of a position in the service department (equipment & supplies division), a change from "proof clerk-country" to "proof clerk-city & country" in the title of a position in the collection department, and changes in the description of work and qualifications required for a number of positions. The memorandum stated that the committee had reviewed the proposed changes and recommended that they be approved. The recommendation was approved by six members of the Board on November 22, 1934.

Approved.

Letter to Mr. Wood, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"The Federal Reserve Board notes with regret from your letters of November 19, 1934, the death on November 10 of Mr. W. C. Montgomery and on November 17 of Mr. W. R. Cole, who were directors of the Louisville branch of your bank. It will be appreciated if you will express the sympathy of the members of the Board to the respective families of Messrs. Montgomery and Cole and to their colleagues on the board of directors of your Louisville branch.

"It is assumed that you will advise the Board in due course of the appointment by your board of directors of a successor to Mr. Montgomery. Inasmuch as Mr. Cole was one of the Board's appointees to the directorate of the Louisville branch,

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"the matter of the appointment of his successor will be taken up in the near future and you will be advised of the action taken."

Approved.

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

"Reference is made to the report of examination of the 'First-Tyler Bank & Trust Company', Sistersville, West Virginia, as of May 7, 1934.

"It is noted that during the year 1933 the bank transferred \$14,739.13 of dormant accounts to its undivided profits and evidently the bank has a liability to repay such accounts when called for. Unless the appropriation of such accounts has been specifically authorized by law, it is felt that accounts so confiscated should be reinstated on the bank's books, and it is requested that you endeavor, in cooperation with the State authorities if deemed desirable, to bring about a correction of this matter.

"The report of examination of the trust department discloses that the administration of the trust accounts is left almost entirely with President Fish and that the operation of this department is not properly supervised by a trust committee appointed by the board of directors.

"The weight of trust authority is that all investments of trust funds should be made, retained and sold upon authority of an investment committee composed of capable and experienced officers or directors of the institution. It will be appreciated, therefore, if you will take up with the management of the bank the matter of proper organization of the trust department, emphasizing the importance of maintaining adequate safeguards with respect to the investment of trust funds and control over the assets of the individual trusts.

"The report of your examiner shows estimated losses of \$23,077.69 and Mr. Fletcher advised in his letter of June 16, 1934, that your office had suggested to the bank that such losses be charged out. The report of earnings and dividends for the six-months' period ending June 30, 1934, shows that during the period the bank charged off \$12,919.81 on account of losses. It will be appreciated if you will advise us what further action has been taken to effect the elimination of losses."

Approved.

Letter to Mr. Williams, Federal Reserve Agent at the Federal

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Reserve Bank of Cleveland, reading as follows:

"Reference is made to Mr. Fletcher's letter of November 14, 1934, advising of the apparent inability of 'The Marengo Banking Company', Marengo, Ohio, to comply with the provisions of condition of membership numbered 17 which provides that within three months from the date of its admission to membership, the bank should reduce all of its loans to amounts within legal limits.

"It is noted that The Marengo Banking Company accomplished its membership on January 15, 1934; that the Board has already granted the bank three extensions of time within which it might comply with the provisions of condition numbered 17, the last extension expiring on November 1, 1934, and that all of the institution's loans have now been reduced to amounts within legal limits except the line to C. B. Smith. The report of examination of the bank as of March 31, 1934, made by one of your examiners, indicates that the Smith line, although listed as being legally excessive, is not otherwise classified; that the line (\$10,275) is secured by real estate appraised at \$14,500 and that interest, taxes and insurance have been kept current. Previous correspondence in connection with the matter indicates that the bank has apparently made an honest effort to effect a reduction in the line; that the Federal Land Bank of Louisville has rejected an application for a loan on the real estate because of the age of the applicant and the fact that he was not actively engaged in farming, and that the State Banking Department does not consider the loan as being legally excessive although it is the contention of your office that it is.

"In view of the fact that the State Banking Department does not consider the line as being legally excessive, the Board feels that the provisions of membership condition numbered 17 may be considered as having been complied with. As a matter of sound banking policy, however, it is expected that the bank will continue its efforts to reduce the line to an amount more in keeping with its present capital structure.

"It is requested that you advise the bank of the Board's action and views in the matter."

Approved.

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

"Reference is made to Mr. Young's letter of October 11, 1934, advising that the capital stock of the 'Bank of Lakeview', Lakeview, Michigan, which was reduced from \$40,000 to \$25,000 in connection with the reorganization of the bank in January,

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"1934, has since been increased to \$30,000, but that the bank has chosen not to restore the capital to \$40,000, although the Reconstruction Finance Corporation had agreed to purchase \$10,000 preferred stock. According to the information submitted, the bank based its decision on the grounds that \$30,000 represented ample capital for the present volume of business and indicated that it would prefer to withdraw from the System rather than complete the program through the sale of preferred stock. It is understood that in connection with the reorganization of the bank a 100% assessment was levied and that the reduction in capital represented unpaid assessments.

"As you were advised in a letter dated March 9, 1934, the reduction in capital below an amount required for the organization of a national bank in the place in which the State bank is located constitutes a violation of the requirements of the Federal Reserve Act for which the bank's membership in the Federal Reserve System might be forfeited in accordance with the provisions of section 9 of the Federal Reserve Act. However, in view of the fact that the bank has \$30,000 capital as compared with deposits of \$117,900, as shown by the call report of condition as of October 17, 1934, and the recommendation of your office after conference with the Michigan banking authorities that any action in the matter be deferred until April 1, 1935, the Board will take no action at this time with respect to the termination of membership. It is understood that the directors of the bank have, by resolution, agreed to attempt to sell locally \$10,000 capital stock by April 1, 1935, if, in their opinion, deposits and earnings have increased sufficiently to warrant an increase in capital, and that, if the capital stock is not increased by that time, it is probable that the bank will suggest voluntary withdrawal from the System.

"It will be appreciated if you will forward copies of the amendments to the Articles of Incorporation adopted in connection with the adjustments in the capital structure."

Approved.

Letter dated November 22, 1934, approved by six members of the Board, 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 Ketchikan', Ketchikan, Alaska, from \$75,000 to \$37,500, pursuant to a plan which provides that the released capital, together with a portion

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"of the bank's surplus and undivided profits, shall be used to eliminate approximately \$72,500 of estimated losses, all as set forth in Mr. Awalt's letter of November 2, 1934."

Approved.

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

"We are in receipt of your letter of November 14 inclosing a copy of a letter from Mr. Hugh Humphreys, State Director of the National Emergency Council, in which you ask for advice as to the Board's policy in furnishing information of the type requested by Mr. Humphreys.

"While the Board sees no objection, if you think it desirable, to your furnishing Mr. Humphreys with the total number and amount of applications received from industrial or commercial concerns or from financing institutions in Tennessee and the number and amount of such applications approved and rejected, it does not feel that information as to the location and the character of industries making applications should be given out, particularly where to do so would be likely to enable one to identify the borrower."

Approved.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, inclosing the following Clayton Act permit for transmittal to the applicant; suggesting that, when the permit is sent to the applicant, the agent advise him that it is with the expectation that he will improve his attendance at directors' meetings of the First National Bank of Seattle that the permit has been granted; and requesting that, when the agent submits his recommendation as a result of his annual review of the permit, he report fully as to the applicant's attendance at directors' meetings:

Mr. E. B. Deming, for permission to serve at the same time as

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a director and officer of The American National Bank of Bellingham, Bellingham, Washington, and as a director of the First National Bank of Seattle, Seattle, Washington.

The letter stated also that, in considering the application of Mr. Deming, it was also noted that Mr. John W. Eddy is serving as a director of the First National Bank of Seattle, Washington, and as a director of The National Bank of Bay City, Michigan, and that, in this connection, attention is directed to Mr. Sargent's letter of July 23, 1934, to the Board and the Board's reply thereto under date of September 24, 1934, in which the Clayton Act status of Mr. Eddy was the subject of extended comments; and requested that Mr. Sargent ascertain and advise the Board at this time as to the present status of Mr. Eddy's relationships under the provisions of the Clayton Act and the provisions of section 32 of the Banking Act of 1933.

Approved.

Letters to applicants for permits under the Clayton Act, advising of approval of their applications as follows:

Mr. J. M. Bonner, for permission to serve at the same time as a director of The First National Bank of Lewiston, Lewiston, Idaho, as a director of The First National Bank of Grangeville, Grangeville, Idaho, and as a director of the Craigmont State Bank, Craigmont, Idaho.

Mr. A. E. Clarke, for permission to serve at the same time as a director and officer of The First National Bank of Lewiston, Lewiston, Idaho, as a director and officer of The First National Bank of Grangeville, Grangeville, Idaho, and as a director and officer of the Craigmont State Bank, Craigmont, Idaho.

Mr. H. M. Emerson, for permission to serve at the same time as a director and officer of The First National Bank of Lewiston, Lewiston, Idaho, and as a director of the Craigmont State Bank, Craigmont, Idaho.

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Mr. W. G. Hawkinson, for permission to serve at the same time as a director and officer of The First National Bank of Lewiston, Lewiston, Idaho, as a director of The First National Bank of Grangeville, Grangeville, Idaho, and as a director and officer of the Craigmont State Bank, Craigmont, Idaho.

Approved.

Thereupon the meeting adjourned.

Clarence Morrill
Secretary.

Approved:

W. G. Hawkinson
Governor.