

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Tuesday, February 26, 1935, at 11:30 a. m.

PRESENT: Mr. Eccles, Governor
 Mr. Hamlin
 Mr. James
 Mr. Szymczak

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

The Committee acted upon the following matters:

Memorandum dated January 24, 1935, from Mr. Wyatt, General Counsel, which had been circulated among the members of the Board and which recommended the appointment of Mr. Frederic P. Benedict as Assistant Counsel to the Federal Reserve Board, with salary at the rate of \$8,000 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed a satisfactory physical examination. The recommendation was approved by five members of the Board on February 25, 1935.

Approved.

Memorandum dated February 25, 1935, from Mr. Smead, Chief of the Division of Bank Operations, recommending that Miss Loretta M. Goheen, an employee in that division, be granted an additional leave of absence with full pay on account of illness from February 25 to March 16, 1935, inclusive, or until she is able to return to duty, if earlier than March 18, 1935.

Approved.

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Memorandum dated February 18, 1935, from Mr. Parry, Chief of the Division of Security Loans, recommending that the Board renew the existing temporary arrangement with the firm of Haskins and Sells, Certified Public Accountants, New York City, for a further period of three months from February 28, 1935, for the same purposes and on the same terms and conditions as the present contract covering the performance of certain services by the firm in connection with matters arising under the Securities Exchange Act of 1934. The memorandum was approved by four members of the Board on February 25, 1935.

Approved.

Telegram dated February 25, 1935, from Mr. Kettig, Deputy Chairman of the Federal Reserve Bank of Atlanta, advising of the election of Mr. Fitzgerald Hall as a Class B Director of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1937.

Noted.

Letter dated February 25, 1935, approved by three members of the Board, to the "City National Bank in Wichita Falls", Wichita Falls, Texas, reading as follows:

"The Federal Reserve Board has given consideration to your application for permission to exercise fiduciary powers, and grants you authority 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

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"Texas, 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 granted by the Board. A formal certificate covering such authorization will be forwarded to you in due course."

Approved.

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

"Reference is made to Mr. Dillistin's letter of February 18, 1935, transmitting the request of the 'Mid-City Trust Company', Plainfield, New Jersey, for approval of a reduction in its common capital stock from \$100,000 to \$50,000, which was effected on or about January 23, 1935, without first obtaining the approval of the Board required by its condition of membership numbered three.

"The Board has reviewed the information submitted in connection with the transaction, from which it appears that concurrent with the reduction in common stock the bank increased its capital by the sale of \$50,000 of preferred stock to the Reconstruction Finance Corporation and that the released capital, together with a portion of the bank's surplus, profits and reserves, was used in eliminating substandard assets and securities depreciation aggregating \$133,237.

"In accordance with the recommendation of your office the Board approves the reduction in the bank's capital, providing the assets charged off in connection therewith remain the property of the bank, and with the understanding, of course, that the transaction has been approved by the Commissioner of Banking and Insurance of the State of New Jersey and that your counsel is satisfied as to the legal proceedings in connection therewith."

Approved.

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

"Reference is made to the report of examination of December 31, 1934, of the 'City Deposit Bank and Trust Company', Pittsburgh, Pennsylvania, and the supplementary information

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"submitted in connection therewith.

"The report of examination indicates that, after allowance for estimated losses, doubtful assets, and net depreciation in securities, all aggregating \$919,000, the bank will have remaining a net sound capital of approximately \$816,000, as compared with deposits of \$14,691,000, while it has an investment of \$595,000 in banking house, furniture and fixtures, an investment of \$535,000 in other real estate, and loans of \$2,704,000 which are considered by the examiner as potential other real estate. It is obvious, therefore, that the amount of net sound capital as disclosed by the report of examination is inadequate to support the bank's deposit liability without taking into consideration the need for adequate capital protection of its fiduciary accounts, and that steps should be taken to bring about a more adequate ratio in this connection.

"It has been noted that the examination of the trust department of the bank was conducted by examiners for the Pennsylvania Department of Banking. It will be appreciated if you will forward to the Board a copy of the report, if one is available, or if not available please forward a photostat copy.

"In your letter of February 1, 1935, you advise that you are endeavoring to arrange with the Pennsylvania Department of Banking for a conference with the board of directors of the bank and that the Board will be advised subsequently of any corrections which you are able to effect. In view of the large aggregate of estimated losses disclosed, the inadequate ratio of sound capital as compared with deposit liabilities, and other matters of criticism reflected in the report, the Board will appreciate being kept advised as to the progress made in strengthening the condition of the bank."

Approved.

Letter to Mr. Winthrop W. Aldrich, Chairman of the Board of Directors of The Chase Bank, New York, New York, reading as follows:

"There is inclosed a copy of the report of examination of the Head Office of The Chase Bank, New York, as of the close of business December 13, 1934. The figures pertaining to the foreign branches shown in the consolidated statement of condition have been obtained from reports submitted by the branches."

Approved, consideration having been given to a memorandum dated February 19, 1935, prepared by the Division of Examinations, with regard to

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the examination referred to in
the letter.

Letter dated February 25, 1935, approved by three members of
the Board, to Mr. T. C. Smith, Cashier of the "Bank of Memphis",
Memphis, Missouri, reading as follows:

"Reference is made to your letter of February 7, 1935,
advising that the Bank of Memphis had purchased in violation
of condition of membership numbered 7, thirteen shares of
Memphis Loan and Building Association stock and requesting
the permission of the Board to continue to carry such stock
until maturity.

"Condition of membership numbered 7 referred to above,
provides that except with the permission of the Federal Re-
serve Board, the Bank of Memphis shall not purchase or
acquire stock of any corporation, except in satisfaction or
protection of debts previously contracted in good faith.
The Bank of Memphis was admitted to membership in the System
on April 10, 1933 and since then the Banking Act of 1933 has
been enacted. Under the provisions of Section 5(c) of the
Banking Act of 1933, which was approved June 16, 1933, State
member banks may not legally purchase stock in other corpora-
tions after that date, except in certain limited classes of
cases which are not here applicable. The report of examina-
tion of the bank as of January 15, 1935, indicates that the
stock in question was purchased on January 20, 1934, and it
would accordingly appear that it was acquired in violation
of the provisions of the law above referred to.

"In such circumstances, the Board has no authority to
grant permission to the bank to continue to carry the stock
in question and it should, therefore, be promptly disposed
of."

Approved.

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

"Reply to your letter of December 18, 1934, concerning
the appointment of a receiver for 'The City National Bank of
Lansing', Michigan, has been held in abeyance awaiting receipt
of information from the office of the Comptroller of the
Currency.

"The Board is now in receipt of a letter dated February
6 from Mr. Gibbs Lyons, Deputy Comptroller of the Currency, a

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"copy of which is inclosed for your information, stating that, in view of certain litigation now pending, the Comptroller's office does not deem it advisable at this time to appoint a receiver for The City National Bank of Lansing. As indicated in the inclosed copy of a letter being sent to Mr. Lyons, we have requested the Comptroller's office to advise the Board when the litigation is determined, with a view to obtaining an appropriate application for the cancelation of the Federal Reserve bank stock as soon as practicable."

Approved.

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

"Reference is made to your letter of February 11, 1935, in reply to the Board's letter of February 8, 1935, in which you were requested to advise if, in the judgment of your office, the trustees who were holding 10,886 shares of stock in the 'Peoples-Pittsburgh Trust Company', Pittsburgh, Pennsylvania, trustee for the benefit of that bank, were making diligent effort to dispose of the stock, and asking that after you had reviewed the situation you forward your recommendation in the matter.

"Your letter states that in your opinion the trustees are doing everything possible to dispose of this stock; that it is almost impossible at this time to sell bank stock; and that, if the shares were placed on the market, it is quite probable that the reaction would be most unfavorable to the Peoples-Pittsburgh Trust Company. You also advise that you will insist upon a complete liquidation of this particular item as soon as it is feasible to do so.

"It will be appreciated if, at the end of six months, you will again review the progress made by the trustees in disposing of the stock and report the results to the Board, with such further recommendation as you may feel it desirable to make at that time."

Approved.

Letter to the chairmen and governors of all Federal reserve banks, reading as follows:

"As you know, the second paragraph of section 16 of the Federal Reserve Act provides that until March 3, 1935,

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"or until the expiration of such additional period not exceeding two years as the President may prescribe, the Federal Reserve Board may, should it deem it in the public interest, upon the affirmative vote of not less than a majority of its members, authorize the Federal reserve banks to offer, and the Federal reserve agents to accept, direct obligations of the United States as collateral security for Federal reserve notes. The Federal Reserve Board has heretofore granted such authority and, accordingly, direct obligations of the United States may now be offered and accepted as collateral security for Federal reserve notes.

"You are advised that on February 14, 1935 the President signed a Proclamation extending for two years from March 3, 1935, the period within which the Federal Reserve Board may authorize the offer and acceptance of direct obligations of the United States as collateral security for Federal Reserve notes and, consequently, the authority heretofore granted by the Board to each Federal reserve bank to offer, and to the Federal reserve agent at each such bank to accept, direct obligations of the United States as collateral security for Federal reserve notes will not terminate on March 3, 1935, but will continue under the same conditions and limitations as now exist.

"A copy of the President's Proclamation extending the period is inclosed herewith."

Approved.

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

"Referring your telegram of yesterday if called bond is a registered nonexempted security creditor may not extend more credit thereon under Regulation T than if it had not been called. Bond continues to have loan value however as long as it has not been stricken from the list of the exchange on which it is registered even though trading in such bond has meanwhile been suspended."

Approved.

Telegram to Mr. Conniff, Deputy Governor of the Federal Reserve Bank of Atlanta, reading as follows:

"Your telegram February 25. Board interposes no objection to your bank making arrangements with Second Export-Import

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"Bank of Washington for delivery of and payment for 10,000,000 Cuban pesos to be coined for Cuban government at Philadelphia mint. It is assumed that if any portion of payment by Cuban government is in American coin arrangements will be made to reimburse your bank for shipping charges to United States. Please forward to Board statement of details of transaction as finally arranged with Export-Import Bank."

Approved.

Letter to Mr. C. B. Eilenberger, Third Assistant Postmaster General, reading as follows:

"Receipt is acknowledged of your letter of February 14, 1935 (89608-R) with regard to the use of the ordinary mails by the Federal Reserve banks in shipping coupons, bonds, scrip, stock certificates, etc.

"A copy of your letter has been forwarded to the governor of each Federal Reserve bank with request for advice as to the present practice of the Reserve bank in this respect and as to his views on the matters contained in your letter. As soon as the replies have been received from all Federal Reserve banks the Board will again communicate with you."

Approved, together with a letter to the governors of all Federal reserve banks, reading as follows:

"There is inclosed copy of a letter, dated February 14, 1935, received by the Federal Reserve Board from Mr. C. B. Eilenberger, Third Assistant Postmaster General, regarding the practice of placing coupons, bonds, scrip, stock certificates, etc., in the ordinary mails instead of dispatching such matter by registered mail. It will be appreciated if you will advise the Board at your early convenience as to the present practice of your bank in this respect and of your views on the subject matter contained in Mr. Eilenberger's letter.

"It will also be appreciated if you will advise the Board whether any matter of the type referred to above is being received by your bank in the ordinary mails from member banks or from other Federal Reserve banks and, if so, whether this has made it necessary for you to take any added precautions, which may have resulted in some inconvenience or in increased expense.

"In case it is the practice of your bank to dispatch any

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"coupons, bonds, etc., by ordinary mail, please furnish the Board with a statement showing the estimated savings during the year 1934, which have resulted from this practice, prepared in accordance with the attached form."

Letter dated February 25, 1935, approved by three members of the Board, to Mr. George W. Falk, Cashier of the First National Bank of Oelwein, Oelwein, Iowa, reading as follows:

"Reference is made to your letter dated February 12, 1935, in which you inclose a copy of the new set of rules governing savings deposits in the First National Bank of Oelwein, Oelwein, Iowa. In your letter you stated that you would appreciate any comments the Board would care to make concerning such rules.

"The Federal Reserve Board has examined the new rules governing savings deposits, and is of the opinion that such rules are not inconsistent with the provisions of section 19 of the Federal Reserve Act or of the Board's Regulation Q."

Approved.

Letter dated February 25, 1935, approved by three members of the Board, to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of January 25, 1935, with inclosures, regarding the payment of interest by the Washington Trust Company, Spokane, Washington, on a deposit represented by a time certificate of deposit, dated November 2, 1931.

"It is understood that the certificate of deposit in question bears the notation, 'no interest after one year'; that no record of an extension or renewal of the certificate appears on the books of the bank; and that no written instructions or agreement in connection with such certificate were entered into between the bank and the depositor. It is not clear what was the date of maturity of the certificate of deposit or whether any definite maturity date was prescribed, but apparently it became a deposit payable on demand not later than November 2, 1932. It is further understood that interest at the rate of 3 per cent per annum has actually been paid by the bank on the deposit represented by such certificate for the period from its date of issue until November 2, 1933.

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"As you know, it is provided in section III(e) of the Federal Reserve Board's Regulation Q that after the date of maturity of any time deposit, such deposit is a deposit payable on demand and no interest may be paid on such deposit for any period subsequent to that date; and under section 19 of the Federal Reserve Act, as amended June 16, 1933, a member bank is prohibited from paying interest on any deposit which is payable on demand with certain exceptions not here applicable. Accordingly, if the Board's understanding of the facts as stated above is correct, it is requested that you advise The Washington Trust Company that it is forbidden by law to pay any further interest on the certificate of deposit in question.

"It will be appreciated if you will furnish the Board with copies of any further correspondence which you may have with the member bank on this subject."

Approved.

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

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 5</u> Peoples Savings Bank & Trust Company, Wilmington, North Carolina	1	1
<u>District No. 7</u> Parish Bank and Trust Company, Momence, Illinois	2	2
	<u>Total</u>	<u>3</u>

<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 7</u> Genesee County Savings Bank, Flint, Michigan	660	660

Approved.

Thereupon the meeting adjourned.

Frederic M. Houder
Secretary.

Approved:

W. S. [Signature]
Governor.