

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, December 24, 1931, at 11:10 a.m.

PRESENT: Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Pole

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Smead, Chief, Division of Bank Operations
Mr. Wyatt, General Counsel.

The following matters were considered and acted upon by the Board:

Letters dated December 18 and 17 from the Chairmen of the Federal Reserve Banks of Atlanta and San Francisco, respectively, requesting approval of the redesignation of certain officers and employees of the banks as examiners for the year 1932, as follows:

Atlanta

R. A. Radford, Examiner
Ward Albertson, Special Examiner
W. S. Johns " "
H. F. Conniff " "
E. P. Paris " "
J. W. Honour " "
V. K. Bowman " "
J. A. Walker " " (New Orleans)
H. N. Harrison " "

San Francisco

S. G. Sargent, Chief Examiner
H. A. Sonne, Examiner
H. D. Swengel, " (Los Angeles)
G. A. Snow, " (Portland)

Approved.

Letter dated December 21 from the Federal Reserve Agent at Philadelphia requesting approval of the designation of certain employees in the collection and transit departments of the bank as special assistants to examiners, as follows:

William M. Kinnard
Joseph E. Boos
William J. St. Clair

Alexander DePutron, Jr.
Gustav A. Kress
Marcus B. Gilmore

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Elwood E. Apple
Thomas Cassedy

Joseph D. Walbank
Charles L. Schrandt

Approved.

Letter dated December 21 from the Governor of the Federal Reserve Bank of New York requesting approval of the action of the Executive Committee in voting, subject to the approval of the Federal Reserve Board, to authorize the officers of the bank to open and maintain an account on the books of the Federal Reserve Bank of New York in the name of the Bank of Estonia and to carry out operations in this market for that bank along the same general lines and subject to the same terms and conditions as for other foreign central banks having accounts with the New York bank.

Approved.

Letter to the President of the First Federal Foreign Banking Corporation advising that the Board has considered, in the light of the report of the credit investigation of the corporation by the Board's examiner as of November 23, 1931, the action of the shareholders of the corporation in voting, subject to the approval of the Federal Reserve Board, to reduce its capital stock from \$2,500,000 to \$2,000,000 and to amend the articles of association of the corporation so as to provide for an authorized capital stock of only \$2,000,000, and has approved the reduction upon condition (1) that the items amounting to \$983,265.86 which were classified by the examiner as losses shall be charged off at the time of the reduction in the capital stock and (2) that no dividends shall be declared or paid by the corporation until all depreciation in securities has been charged off and a reserve has been created in an amount equal to the full amount of the assets classified as doubtful; the letter also stating that the Board has approved the amendment to the articles of association of the corporation above referred to,

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and that the Board desires that the amounts classified by the examiner as losses be charged off on the books of the corporation in time to be reflected in any report or statement which may be made by the corporation as of December 31, 1931.

Approved.

Reply to letter received under date of August 22, 1931 from Mr. Georges St. Jean, protesting against the action of the shareholders of the First Federal Foreign Banking Corporation in voting to reduce its capital stock; the reply stating that the Board is of the opinion that his letter presents no legal reason why it may not approve the proposed reduction, and that it has acted accordingly.

Reply approved.

Reply to letter dated December 16 from the Federal Reserve Agent at Atlanta reporting that prior to May 1, 1931, the Bank of Dawson, Georgia, had been continuously deficient in its reserves for a period of more than six consecutive months, that this matter was taken up with the President of the bank, and by him with the directors, with the result that, except for one small deficiency for the period ending June 15, 1931, the required reserves have been maintained since April of this year; the reply stating that in view of the apparent intention of the Bank of Dawson to keep its reserves at the proper figure in the future, the Board does not believe further steps are necessary at the present time to impress upon the bank the importance of maintaining its reserve position and, accordingly, is filing the Federal Reserve Agent's letter without action.

Reply approved.

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Letters to all Federal Reserve Agents transmitting blank forms to be used by state member banks in submitting their condition reports as of the next call date, and explaining the manner in which they should show in the reports (1) subscriptions to gold notes of the National Credit Corporation, (2) direct indebtedness to the corporation and (3) pro rata liability on borrowings by other members of local national credit associations.

Approved.

Memorandum dated December 23 from the Committee on Salaries and Expenditures with regard to the closing of the books of the various Federal Reserve banks on December 31, 1931. Consideration was given to the several questions presented in the Committee's memorandum and it was determined

- (1) That each Federal Reserve bank be authorized to include in additions to current net earnings for 1931 profits on sales during the year of United States securities, both from the Open Market Investment Account and from the bank's own portfolio, and to set up a reserve out of surplus to cover depreciation on United States bonds equal to the excess of book value, as of December 31, 1931, over actual market value, less such part of the premium on United States bonds as will be amortized in 1932 under existing procedure;
- (2) That each Federal Reserve bank be authorized to charge off its proportionate share of the depreciation as of December 31, 1931, in the sterling balances carried by the Federal Reserve Bank of New York with the Bank of England;
- (3) That each Federal Reserve bank be authorized to charge off the amount of furniture and equipment purchased during the year;
- (4) That the Federal Reserve Bank of Atlanta, which in view of its relatively low earnings proposes to omit the usual charge for reserves on bank premises and fixed machinery and equipment, be requested to set aside the usual reserves for depreciation on these items and that the other Federal Reserve banks be authorized to do so;
- (5) That requests of the Federal Reserve Banks of Cleveland, Atlanta and Dallas for authority to set aside additional reserves to take care of probable future losses on paper discounted for member banks be approved on condition that such reserves shall

not exceed the amount of net earnings remaining before the payment of 1931 dividends and that the banks be advised that the Board does not feel that they should, at this time, charge their surplus accounts with reserves for possible future losses the amount of which has not been definitely determined;

- (6) That the requests of the Federal Reserve Banks of New York, Atlanta and Minneapolis for authority to set aside additional reserves for self-insurance, equal to the current net earnings on the securities in which their self-insurance funds are invested, be not approved, inasmuch as the banks will not have sufficient net earnings to cover dividend payments and any addition to their reserves for self-insurance at the end of this year would result in a corresponding reduction in their respective surplus accounts; and
- (7) That each Federal Reserve Bank be authorized to pay the regular semi-annual dividend at the end of the year.

The meeting adjourned at 11:45 a.m.

Olester Mowley
Secretary.

Approved:

Eugene C. Bergh
Governor.