

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, January 15, 1932, at 11:30 a. m.

PRESENT: Governor Meyer
Mr. Hamlin
Mr. James
Mr. Magee

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

The following matters of business were considered and acted upon by the Committee:

Telegrams dated January 12 and 13 from the Deputy Governor of the Federal Reserve Bank of New York and the Chairman of the Federal Reserve Bank of Minneapolis, respectively, advising of the establishment of the following schedule of rates for purchase of acceptances:

Bankers' Acceptances

1 to 45 days	2 3/4%
46 to 120 days	3%
121 to 180 days	3 1/4%
Repurchase	3%

Trade Bills	3 1/2%
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Without objection, noted with approval.

Telegrams dated January 12 from the Secretary of the Federal Reserve Bank of Atlanta, the Chairman of the Federal Reserve Bank of Richmond and the Chairman of the Federal Reserve Bank of Chicago, telegram dated January 13 from the Deputy Governor of the Federal Reserve Bank of St. Louis, and letter dated January 12 from the Secretary of the Federal Reserve Bank of Kansas City, all advising of the establishment of the following schedule of rates for the purchase of bankers' acceptances; the Secretary of the

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Federal Reserve Bank of Atlanta also reporting a rate of 3% for the purchase of bankers' acceptances under repurchase agreement:

1 to 45 days	2 3/4%
46 to 120 days	3%
121 to 180 days	3 1/4%

Without objection, noted with approval.

Telegram dated January 13 from the Chairman of the Federal Reserve Bank of Boston, letter dated January 14 from the Secretary of the Federal Reserve Bank of New York and telegram dated January 14 from the Chairman of the Federal Reserve Bank of Richmond, all advising that their Boards of Directors, at meetings on the dates stated, made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, St. Louis, Kansas City and Dallas, of employees for whom the directors of the banks authorized leaves of absence with pay on account of illness during the month of December, where the total of such absences since January 1, 1931 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Reports of Committee on Salaries and Expenditures recommending approval, under the salary classification plans of the Federal Reserve Banks of Cleveland, St. Louis and Dallas, of the following:

Cleveland - Creation of the new positions of janitor and night cleaning foreman in the building department of the Pittsburgh branch.

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- St. Louis - Extension of three months in the temporary assignment of Mr. J. L. Geiger from the bank relations department to the credit-discount department and the temporary designation as field men of Mr. C. F. Ferry from the bank relations department and Mr. John J. Christ, manager of the fiscal agent's department.
- Dallas - Salaries of \$1,800 and \$2,400 per annum, respectively, for Messrs. R. S. Chambers and Harry Williams, employed as special representatives in the insolvent banks department (appraised position).

Approved.

Letter dated January 6 from the Assistant Treasurer of the United States advising that no applications were received from national banks, during the quarter ending December 31, 1931, for the sale of bonds under Section 18 of the Federal Reserve Act.

Noted.

Telegram to the Deputy Governor of the Federal Reserve Bank of New York, approved by five members of the Board on January 11, authorizing the purchase from the First National Bank and Trust Company, Hudson, New York, of \$209,000 of tax notes of the County of Columbia, with the understanding that the notes meet all of the requirements of the Board's Regulation E except that the amount offered exceeds 25% of the total warrants of the municipality outstanding.

Approved.

Letter to the Chairman of the Federal Reserve Bank of Philadelphia, approved by members of the Board on January 13, advising of approval by the Federal Reserve Board of the designation of Mr. William H. Soule as Senior Examiner at the bank.

Approved.

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Letter to the Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, approved by members of the Board on January 14, reading as follows:

"This refers to Mr. Bailey's letter of December 23, 1931, inquiring as to the attitude of the Federal Reserve Board toward depreciation on securities in State member banks of the Federal Reserve System, in the light of the instructions issued to national bank examiners by the Comptroller of the Currency, under date of December 18, 1931, that, while bonds should be rated and appraised as heretofore, no part of the depreciation, except that upon defaulted bonds, should be regarded as a loss and shown as such on page 11 of the form for reports of examinations of national banks.

The Board believes that, in making examinations of State member banks and in analyzing reports of examinations of these institutions made by State authorities, it would be desirable for the Federal reserve banks to set forth the entire amounts of depreciation on securities, grouped according to the ratings of the issues. The amounts of depreciation on stocks and on defaulted bonds only should be shown as losses.

Of course, in negotiations with State member banks and State authorities relative to corrective action, all depreciation on stocks and bonds should be given consideration and no favorable opportunity to obtain action calculated to strengthen banks whose depreciation on stocks and bonds exceeds or nearly equals the amount of their surplus and undivided profits should be overlooked. Such banks also should be impressed with the advisability of deferring the payment of further dividends until all losses and all depreciation on stocks and bonds and other doubtful assets have been charged off or otherwise eliminated or until adequate reserves have been created. A helpful and tolerant attitude should be preserved at all times, however, and care should be exercised to avoid doing or saying anything which might needlessly destroy or impair the morale of bank directors and officers."

The above letter was approved and the Secretary was instructed to transmit a copy of it to all of the other Federal Reserve Agents for their information and guidance.

Letter to the International Acceptance Bank, Inc., New York, New York, approved by members of the Board on January 11, advising that the cost of the recent examination of the institution made by examiners of the

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Board was \$5,383.21, and requesting the deposit of this amount in the Federal Reserve Bank of New York with instructions to that bank to credit it in the General Account of the Treasurer of the United States for credit to the Federal Reserve Board.

Approved.

Letters, approved by members of the Board on January 14, to The Chase Bank and the First Federal Foreign Banking Corporation, both of which were organized under Section 25(a) of the Federal Reserve Act, and to the International Banking Corporation and the French American Banking Corporation, both of which are operating under agreement with the Federal Reserve Board, requesting reports of condition, on forms submitted, as of December 31, 1931.

Approved.

In connection with the foregoing, the Committee directed that requests for reports of condition, as of December 31, 1931, from the Atlantic Corporation of Boston and the International Acceptance Bank, Inc. of New York City, be withheld pending further consideration by the Board of the question of discontinuing its agreement with the International Acceptance Bank, Inc., the stock of which is no longer held by any national bank and the determination by Counsel of certain legal questions with the view of discontinuing the Board's agreement with the Atlantic Corporation.

Letter to the Federal Reserve Agent at Dallas, approved by five members of the Board on January 13, advising that in accordance with his recommendation no action will be taken by the Board at this time with respect to the continuous deficiencies in the reserves of the City National

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Bank of Georgetown, Texas, which were reported by the Federal Reserve Agent in his letter of January 4, other than to bring them to the attention of the Comptroller of the Currency; together with a letter to the Comptroller of the Currency on the subject.

Approved.

Letter to the Federal Reserve Agent at St. Louis, approved by members of the Board on January 13, advising that in view of the very considerable deficiencies in the reserves of the First National Bank of Carrier Mills, Illinois, which have been continuous for over six months, it would appear that he would be justified in discussing with the Chief National Bank Examiner the advisability of requesting the directors of the bank, or a committee representing them, to come to St. Louis for a conference, particularly since letters which have been addressed to the directors and officers of the bank have not been receiving proper attention.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by members of the Board on January 14, advising that, other than to bring them to the attention of the Comptroller of the Currency, the Board will take no action at the present time with regard to the continuous deficiencies in reserves of the Greensburg National Bank, Greensburg, Indiana, and the First National Bank, Avoca, Michigan, reported in Assistant Federal Reserve Agent Young's letter of December 29, 1931, but requests that the Federal Reserve Agent consider the advisability of addressing letters to the directors of the banks advising them of the requirements of the law and the Board's Regulations regarding the maintenance of reserves and the personal liability of directors permitting violations of the law, as required in

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Section IV(b) of Regulation D, or arranging a meeting of the directors with the Agent and the Chief National Bank Examiner for the purpose of discussing the matter; together with a letter to the Comptroller of the Currency transmitting copies of the letter from the Assistant Federal Reserve Agent and the Board's reply.

Approved.

Letter to the Comptroller of the Currency, approved by five members of the Board on January 14, regarding the desire of The James River National Bank of Jamestown, North Dakota, to surrender its trust powers and its request that the Comptroller arrange with the Chief National Bank Examiner for the district in which the bank is located to have a special examination made of the trust department of the bank in order to ascertain whether the bank has been discharged or otherwise properly relieved of all of its duties as fiduciary; together with a letter to the Federal Reserve Agent at Minneapolis, through whom the request of the national bank was presented, advising that the matter is being taken up with the Comptroller of the Currency.

Approved.

Telegram to the Federal Reserve Agent at Boston, replying to his wire of January 14 and advising that the Board approves the request of the Somerville Trust Company, Somerville, Mass., for an extension until January 30, 1932 of the time in which that company may complete arrangements for membership in the Federal Reserve System under the conditions set forth in the Board's letter to it dated December 17, 1931.

Approved.

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Letter to the Federal Reserve Agent at Chicago, approved by members of the Board on January 14, relative to the action of the Bank of Sturgeon Bay, Sturgeon Bay, Wisconsin, in taking over the assets and assuming the liabilities of the State Bank of Maplewood, Wisconsin; the letter stating that in view of the Federal Reserve Agent's opinion that any steps taken at this time looking toward the discontinuance of the membership in the Federal Reserve System of the Bank of Sturgeon Bay would very likely result in its closing, and in accordance with his recommendation, the Federal Reserve Board will take no action in the matter at this time but will await a further report from the Federal Reserve Agent following the examination of the Bank of Sturgeon Bay which will be conducted by the state authorities during the latter part of January and in which an examiner of the Federal Reserve Bank of Chicago will participate.

Approved.

Reply, approved by five members of the Board on January 9, to letters dated January 7 from the President of the First Federal Foreign Banking Corporation, New York City, relative to the adjustments required by the Federal Reserve Board in connection with its approval of a reduction in the capital stock of the corporation from \$2,500,000 to \$2,000,000; the reply stating (1) that the Board grants the permission requested to set up a specific "reserve for losses", in the amount of \$61,267.30, against three items aggregating that amount, in lieu of charging them off at this time as a part of total charge offs, amounting to \$983,265.86, required by the Board in its letter to the corporation of December 24, 1931, (2) that the Board offers no objection to the proposal of the corporation not to charge off at this time an item in the amount of \$200, representing an ad-

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vance to an agent of the corporation for possible expenses, noting that it is intended, upon receipt of an itemized statement of expenditures by the Agent, to charge the amount of such expenditures to expense account, (3) that the corporation is correct in its understanding that the Board's approval of the reduction in its capital stock was not subject to a requirement that a reserve in a specific amount be set up at this time, and (4) that the Board will have no objection to an amendment in the Articles of Association of the corporation, duly adopted by the shareholders, providing that its authorized capital stock of \$2,000,000 shall be divided into 100,000 shares of a par value of \$20 each, but that, if such action is taken by the shareholders, a certified copy of the resolution adopted should be submitted to the Board for approval.

Approved.

Draft of circular letter to the Governors of all Federal Reserve Banks and all Federal Reserve Agents, advising of the appointment of Mr. Leo H. Paulger as Chief of the Division of Examinations of the Board, effective January 16, 1932, and also advising that, under the direction of the Chief of the Division of Examinations, Mr. Frank J. Drinnen will continue in immediate charge of the examining forces of the Federal Reserve Board.

Approved.

Reports of Standing Committee dated January 9, 11, 12, 14 and 15, recommending approval of the following changes in stock at Federal Reserve banks:

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Applications for ORIGINAL Stock:SharesDistrict No. 2.

First National Bank in Callicoon, N. Y.	72	72
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District No. 11.

First Coleman National Bank, Coleman, Texas.	66	66
	<u>Total</u>	<u>138</u>

Applications for ADDITIONAL Stock:District No. 5.

Pulaski National Bank, Pulaski, Va.	7	7
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District No. 7.

Bankers Trust Co., Des Moines, Iowa.	2	
First National Bank, Eldon, Iowa.	<u>1</u>	3

District No. 9.

First National Bank, Marshall, Minn.	3	
Winona National & Savings Bank, Winona, Minn.	45	
New First National Bank in Dell Rapids, S. Dak.	<u>3</u>	51

District No. 12.

Compton National Bank, Compton, Calif.	1	
Security National Bank of Pasadena, Calif.	6	
Walker Bank & Trust Co., Salt Lake City, Utah.	<u>15</u>	22
	<u>Total</u>	<u>83</u>

Applications for SURRENDER of Stock:District No. 2.

First National Bank, Brushton, N. Y. (Insolvent)	42	42
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District No. 3.

Bank of Auburn, Auburn, Pa. (Insolvent)	60	
Hopewell National Bank, Hopewell, Pa. (Insolvent)	33	
Corn Exchange National Bank & Trust Co., Philadelphia, Pa. (Decrease in surplus)	<u>2,400</u>	2,493

District No. 4.

Second National Bank in Youngstown, Ohio. (Insolvent)	137	
First National Bank, Geneva, Ohio. (Insolvent)	<u>60</u>	197

District No. 5.

First National Bank, Mullins, S. C. (Insolvent)	45	45
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District No. 6.

New Orleans Bank and Trust Co., New Orleans, La. (V.L.Abs. by Interstate Trust & Banking Co.)	900	
Dawson-City National Bank, Dawson, Ga. (Cons. of Dawson National Bank and City National Bank of Dawson)	<u>144</u>	

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>		<u>Shares</u>	
<u>District No. 6. (Cont'd)</u>			
Phoenix National Bank, Columbia, Tenn. (Insolvent)	150		
Mobile National Bank, Mobile, Ala.	<u>156</u>		1,350
<u>District No. 7.</u>			
First National Bank, Le Mars, Iowa. (Reduction in surplus)	15		
First National Bank, Boyne City, Mich. (Insolvent)	33		
Detroit Savings Bank, Detroit, Mich. (Decrease in surplus)	120		
City National Bank & Trust Co., Battle Creek, Mich. (Decrease in surplus)	180		
National Bank of Seymour, Seymour, Ill. (Insolvent)	<u>18</u>		366
<u>District No. 8.</u>			
First National Bank, Fairfield, Ill. (V.L.Abs. by Fairfield National Bank)	60		60
<u>District No. 9.</u>			
First National Bank, Courtenay, N. Dak. (V.L. Terminal)	18		
First National Bank, Belle Fourche, S. Dak. (Insolvent)	<u>51</u>		69
<u>District No. 10.</u>			
Eaton National Bank, Eaton, Colo. (V.L.Abs. by First National Bank of Eaton)	24		
First National Bank, Idaho Springs, Colo. (Insolvent)	38		
First National Bank, Commerce, Okla. (V.L.Suc. by First State Bank of Commerce)	<u>21</u>		83
<u>District No. 11.</u>			
First State Bank, Wortham, Texas. (V.L.Abs. by First National Bank, Wortham, Texas.)	45		45
<u>District No. 12.</u>			
Hibernia Commercial & Savings Bank, Portland, Oregon. (Insolvent)	360		
First National Bank, Oakland, Calif. (Decrease in capital and surplus)	346		
First National Bank, Seattle, Wash. (Cons. Metropolitan National Bank, Seattle, with the above bank)	450		
First National Bank, Zillah, Wash. (Insolvent)	30		1,186
	<u>Total</u>		<u>5,936</u>

Approved.

Reports of Standing Committee dated January 7, 12, 13 and 14,
recommending approval of the following Clayton Act applications:

Mr. C. McK. Lynch, for permission to serve at the same time as director and officer of The First National Bank and Trust Company of Greensburg, Pa., and as director of The First National Bank of Scottdale, Pa.

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Mr. J. H. Wearn, for permission to serve at the same time as director of the Merchants & Farmers National Bank of Charlotte, N. C., and as director of the Independence Trust Co. of Charlotte, N. C.

Mr. Alden Anderson, for permission to serve at the same time as director and officer of the Capital National Bank of Sacramento, Calif., and as director and officer of the First National Trust & Savings Bank of Chico, Calif.

Mr. Joe E. Lawther, for permission to serve at the same time as director and officer of the Liberty State Bank of Dallas, Texas, and as director of the Republic National Bank & Trust Co. of Dallas, Texas.

Mr. Trevor O. Hammond, for permission to serve at the same time as director and officer of the First National Bank & Trust Co. of Helena, Montana, and as director and officer of the First National Bank of Miles City, Montana.

Mr. Edward Morris, for permission to serve at the same time as director of the West Side Trust & Savings Bank of Chicago, Ill., director of the Liberty Trust & Savings Bank of Chicago, Ill., and as director of the Old First National Bank & Trust Co. of Fort Wayne, Indiana.

Approved.

The meeting adjourned at 12:15 p.m.

Olester Mowley
Secretary.

Approved:

Eugene H. [Signature]
Governor.