

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, January 19, 1932, at 11:50 a. m.

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

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

The minutes of the meetings of the Federal Reserve Board held on January 7 and 8 were approved.

The Board then considered and took action upon the following matters:

Telegram dated January 19 from the Secretary of the Federal Reserve Bank of Minneapolis, advising that at the meeting of the Board of Directors today, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply to telegrams dated January 9 and 11 from the Governor of the Federal Reserve Bank of San Francisco, in which he stated that in view of present conditions, which in certain instances make the imposition of progressive penalties for deficiencies in reserves a hardship on member banks, without accomplishing the desired results, the Federal Reserve bank desires to discontinue the assessment of such progressive penalties; the reply stating that the Board has voted to discontinue the progressive penalty prescribed for the Twelfth Federal Reserve District pursuant to Section IV(c) of Regulation D, and that the assessment of progressive penalties should not be resumed by the bank except after application

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to the Federal Reserve Board pursuant to the Regulation.

Reply approved.

Reply to a letter dated December 23 from the President of the United States National Bank of Eugene, Oregon, referring to the Board's letter of September 29, 1931, which advised that the Board had granted permission to the United States National Bank to act in a fiduciary capacity only in the specific trusts held by the Eugene Loan and Savings Bank which were acquired by the United States National Bank, and inquiring whether under this authority a certain will naming the Eugene Loan and Savings Bank as executor, may be accepted and probated by the trust department of the United States National Bank; the reply stating that the Board understands that the will in question constituted a part of the trust business which was held by the Eugene Loan and Savings Bank and which was taken over by the United States National Bank on October 24, but that the death of the testator did not occur until after that date, that in these circumstances the Board considers that the United States National Bank is authorized under the permission granted by the Board to take the necessary steps for the probate of the will, and that the national bank, if appointed by a court of competent jurisdiction, in lieu of the Eugene Loan and Savings Bank, to execute or administer the provisions of the will, may act in the capacity in which appointed.

Reply approved.

Consideration was then given to the following resolution adopted by the Open Market Policy Conference at its meeting on January 12, 1932:

"The Conference has considered the preliminary memorandum and discussed at length the current business and banking situation. It gave particular attention to the increase in bank

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"credit during the past year, the contraction of bank loans and investments during the last quarter of 1931 being at the rate of about 25% per annum. The Conference believes that this deflation cannot continue without most serious damage to the business and financial structure of the country. While the Conference is of the opinion that the proposed Reconstruction Finance Corporation will be of material help in checking the failure of sound banks and in thus tending to relax further unnecessary pressure for liquidation and that while the further acquisition of bills by the Federal reserve banks may be encouraged by Federal reserve bank rate adjustments, nevertheless because of the seriousness of the general situation and the importance of relieving the drastic pressure on the credit structure now inspired largely by fear of further liquidation, the System should be prepared, if necessary, to supplement these other steps by the purchase of Government securities. It, therefore, resolves that the Executive Committee be authorized if and when desirable to purchase for System account not to exceed \$200,000,000 of Government securities, such purchases to be made only after the approval of the Executive Committee at a meeting to be called for the purpose of considering the occasion or need therefor."

After a discussion, a letter to be sent by the Governor to the Chairman of the Open Market Policy Conference, reading as follows, was approved:

"The Federal Reserve Board has considered the resolution adopted by the Open Market Policy Conference on January 12, 1932, a copy of which was handed to me by Doctor Burgess, Secretary of the Conference.

The Board approves the authorization granted in the resolution to the Executive Committee of the Conference to purchase for System account, if and when desirable, not to exceed \$200,000,000 of Government securities, such purchases to be made only after the approval of the Executive Committee at a meeting to be called for the purpose of considering the occasion or need therefor.

It will be understood, of course, that any action to be taken by the Executive Committee of the Conference under the terms of the resolution will be subject to the approval of the Federal Reserve Board.

In view of the fact that no time limit was placed on the authority granted to the Executive Committee, in the resolution passed by the Conference, the Board reserves the right to review and reconsider its approval herein expressed, if and when circumstances justify."

Reply to a letter dated January 7 from the Chairman of the Federal Reserve Bank of St. Louis, requesting approval by the Board of an amendment

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to the by-laws of the Louisville Branch adopted by the directors of the St. Louis bank, which provides for a regular meeting of the branch board on the Thursday next after the third Wednesday of each month at such hour as the local board may fix, or, if that day be a holiday, on the first succeeding full business day; the reply stating that the Board approves the amendment referred to.

Reply approved.

Reply to a letter dated January 12 from the Chairman of the Federal Reserve Bank of Atlanta, requesting approval of the payment of a fee of \$1,059.89 to McKay, Withers and Ramsey, Attorneys, Tampa, Florida, for services rendered in connection with the liquidation of assets acquired from the Citizens Bank and Trust Company, Tampa, Florida; the reply stating that the Board approves the payment of the fee.

Reply approved.

Reports of Standing Committee dated January 18, recommending approval of the following changes in stock at Federal Reserve banks:

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
First National Bank in Aurora, Ill.	60	
First National Bank, Danville, Ill.	30	
Fayette Bank & Trust Co., Connorsville, Ind.	2	
Iowa State Bank, Algona, Iowa.	3	
Dearborn State Bank, Dearborn, Mich.	<u>120</u>	215
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
First National Bank, Rockaway, N. J. (V.L.Abs. by First National Bank in Rockaway)	120	
First National Bank & Trust Co., Woodbridge, N. J. (Insolvent)	<u>180</u>	300

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 3.</u>		
Integrity Trust Company, Philadelphia, Pa. (Decrease in surplus)	1,800	1,800
<u>District No. 4.</u>		
Citizens National Bank, New Lexington, Ohio. (Insolvent)	90	
Farmers & Miners National Bank, Bentleyville, Pa. (Insolvent)	<u>102</u>	192
<u>District No. 7.</u>		
Des Plaines State Bank, Des Plaines, Ill. (Insolvent)	195	
First National Bank, Momence, Ill. (Insolvent)	40	
Fletcher American National Bank, Indianapolis, Ind. (Decrease in capital and increase in surplus)	120	
Lincoln National Bank & Trust Co., Fort Wayne, Ind. (Decrease in surplus)	90	
Michigan State Bank, Eaton Rapids, Mich. (Insolvent)	54	
Citizens National Bank, Wisconsin Rapids, Wis. (Insolvent)	<u>75</u>	574
<u>District No. 9.</u>		
Farmers & Merchants National Bank, Webster, S. Dak. (Insolvent)	36	
First National Bank, Isanti, Minn. (Insolvent)	20	
First National Bank, Stanford, Mont. (Insolvent)	<u>25</u>	81
<u>District No. 11.</u>		
Itasca National Bank, Itasca, Texas. (Insolvent)	48	
Texarkana National Bank, Texarkana, Texas. (Decrease in surplus)	<u>150</u>	198
<u>District No. 12.</u>		
First National Bank, Victorville, Calif. (Insolvent)	30	30
	<u>Total</u>	<u>3,175</u>

Approved.

The meeting adjourned at 12:20 p. m.

Robert Merrill  
Secretary.

Approved:

Cyrus Keyes  
Governor.