

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, February 5, 1932, at 11:45 a. m.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary.

The following matters were presented for the consideration and action of the Board:

Letter dated February 4 from the Secretary of the Federal Reserve Bank of New York, and telegrams dated February 3 from the Chairmen of the Federal Reserve Banks of Philadelphia and St. Louis, and February 4 from the Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, all advising that at meetings of their 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.

Telegraphic reply, approved by the Executive Committee on February 4, to a telegram of the same date from Deputy Governor Logan of the Federal Reserve Bank of New York requesting approval of the purchase by the New York bank of an amount up to \$20,000 of tax revenue notes of the Borough of Seabright, New Jersey, offered by the First National Bank of Seabright; the reply stating that the Board authorizes the purchase with the understanding that the notes meet all requirements of Regulation E except as to the population of the issuing municipality and the amount offered which is the total amount outstanding.

Reply approved.

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Reply, approved by five members of the Board on February 4, to a letter dated January 25 from the Governor of the Federal Reserve Bank of Minneapolis inquiring whether the Board would look with favor upon the Federal Reserve bank sending to each director of every member bank in the Ninth Federal Reserve District, a copy of a pamphlet entitled "Bank Directors, Their Legal and Moral Responsibilities"; the reply stating that if the Board of Directors of the Minneapolis bank considers such action desirable, the Federal Reserve Board will interpose no objection.

Reply approved.

Replies to letters dated January 20 from the Federal Reserve Agent at Atlanta, referring further to previously reported deficiencies in the reserve accounts of the First National Bank of Sylacauga, Alabama, the First National Bank of Huntsville, Tennessee, the First National Bank, Russellville, Alabama, the First National Bank and Trust Company in Orlando, Florida, and the Hancock National Bank, Sparta, Georgia; the reply in each case stating that the Board notes that the Federal Reserve Agent is continuing his efforts to secure the restoration and proper maintenance of the reserves of the bank and will write the Board again concerning the matter at a later date.

Approved.

Reply to a letter dated January 16 from the Federal Reserve Agent at Atlanta reporting that the Elk National Bank of Fayetteville, Tennessee, has been deficient in its reserves for more than six consecutive months; the reply stating that in accordance with the Agent's recommendation, the Board will take no action at this time concerning these deficiencies other than to send a copy of his letter to the Comptroller of the Currency, and requesting

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that the Agent advise the Board further if the bank should fail to restore and maintain its required reserve in the future.

Reply approved.

Reply to a letter dated January 21 from the Federal Reserve Agent at Kansas City reporting that the First National Bank of North Bend, Nebraska, was deficient in its required reserves during the period May 15 to December 31, 1931, and recommending, in view of the circumstances outlined in his letter, that the Board take no action concerning the matter at the present time; the reply stating that, in accordance with the Agent's recommendation, the Board will defer action until it has received a further report from him which should be forwarded upon receipt of replies to letters which he has written to the directors of the national bank.

Reply approved.

Reply to a letter dated December 30 from the Federal Reserve Agent at the Federal Reserve Bank of Philadelphia transmitting detailed information with regard to the action of the Equitable Trust Company, Atlantic City, N.J., effective October 13, 1931, in purchasing the assets and assuming the liabilities, other than to shareholders, of the Pacific Avenue National Bank of Atlantic City, and in assuming the liabilities, other than to shareholders, of the Chelsea Safe Deposit and Trust Company of Atlantic City, against the liquidation of the assets of that institution; the reply (1) stating that in view of all the circumstances in the case, the Federal Reserve Board is deferring, until after the next examination of the Equitable Trust Company, its consideration of the question whether these transactions have resulted in any change in the general character of the assets of the member bank or in

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the scope of the functions exercised by it within the meaning of the general condition of membership under which it was admitted to the Federal Reserve System, (2) requesting that a Federal reserve examiner participate in the next examination and that a full report be forwarded to the Board regarding the extent to which the liabilities assumed from the two banks referred to have been liquidated and as to the classification of the assets acquired from each institution which at the time of the examination are still held by the member bank; and (3) requesting that the Board be advised promptly as to whether the adjustments suggested by the Federal Reserve bank incident to the transactions above referred to, which were accepted by the Board of Directors of the member bank, have been met in fact.

Reply approved.

There was then presented for the record the following telegram dated February 3 from the Governor of the Federal Reserve Bank of San Francisco, in reply to the wire addressed to him by the Board and the Reconstruction Finance Corporation under date of February 2:

"Transamerica corporation reply your message February second quote Fully realizing as we do the seriousness of the situation we accept without qualification the plan proposed by you unquote Associated transamerica stockholders reply quote On January twenty ninth nineteen hundred thirty two in response to a communication received from the Honorable J. W. Pole, Comptroller of the Currency, dated January twenty eighth nineteen hundred thirty two, wherein he set forth a plan somewhat similar to the one suggested by you, we expressed our willingness to cooperate in an endeavor to compose existing differences. We set forth in detail a plan of proportionate representation which we consider would be acceptable to the holders of a majority of the outstanding shares of transamerica corporation stock represented by this association and which was eminently fair to the minority. Up to date we have received no response from Mr. Pole other than an acknowledgment of the receipt of our letter, together with the statement that a copy thereof has been transmitted to Transamerica Corporation for its consideration, and enclosing a copy of transamerica corporations reply to Mr. Pole. We assume that you are not

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"familiar with the contents of our communication and so that you may be fully informed, we are attaching hereto a copy thereof. This plan should be acceptable as it gives an equitable representation to all of the stockholders and if accepted, would insure the selection of a board of directors representative of their will. We are prepared to submit our proxies immediately, as outlined in our letter to Mr. Pole, and thereby make possible the announcement forthwith of the termination of the controversy in the interest of all concerned unquote. May I suggest that Board and Corporation immediately wire message to be delivered to associated transamerica stockholders today substantially quote your reply dated February second to our message same date is equivocal, evasive and not responsive to our proposal. We are entitled to and demand prompt unqualified acceptance of our proposal or unqualified rejection of our proposal unquote."

The following telegram to Governor Calkins, approved by five members of the Board on February 3, and dispatched over the names of the Federal Reserve Board and the Reconstruction Finance Corporation with the understanding that in addition to approval by the Federal Reserve Board it had been approved by the Board of Directors of the Reconstruction Finance Corporation, was then approved:

"Replying to your telegram of today, please convey the following to Associated Transamerica stockholders QUOTE The Federal Reserve Board and the Reconstruction Finance Corporation submitted a definite and simple plan which amply protected all stockholders, as well as the public interest, and was intended to end the unfortunate contest now proceeding STOP Under existing circumstances, no other plan fully meets the requirements of the situation STOP There is no time for protracted negotiations or discussions STOP We therefore request the Associated Transamerica stockholders to let us know at once whether they accept or reject the proposal as made, and express the hope that a prompt acceptance may be forthcoming. UNQUOTE"

The following reply to the telegram quoted above, received from Governor Calkins on February 4, was then presented for the record:

"Substance of reply received from Associated Transamerica stockholders this day follows quote We must again express our deep regret that the present management of Transamerica remains inflexible and unwilling to accept the very equitable and practical plan for the selection of a Board of Directors which associated transamerica stockholders transmitted to the comptroller of the currency under date of January twenty ninth nineteen hundred

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"thirty two, and which was transmitted to Federal Reserve Board Reconstruction Finance Corporation under date of February second nineteen hundred thirty two. In this connection we have no hesitation in stating that a very heavy responsibility rests upon the present management of Transamerica in its determination to carry out its present program, regardless of the desire of the owners of a majority of the stock of that corporation. We have asked for and received a very definite commitment from the members of our association who hold a majority of the stock of transamerica corporation. The plan submitted by you is widely at variance with that commitment, and we cannot without violating our trust accept it, furthermore, in our opinion, that plan will not protect the stockholders or serve the public interest or meet the requirements of the situation. We are convinced that any plan which would deprive the stockholders of transamerica of their legal right to select its board of directors will not only meet with the resentment of the stockholders, but likewise with public disapproval. The stockholders of Transamerica corporation alone are authorized to determine for themselves by whom the corporation shall be governed and its policies determined. They have a right to expect that the agencies of government shall not attempt to disfranchise them, in the selection of a board of directors, by imposing upon them methods other than those prescribed by law, and which cannot be considered as other than autocratic. UNQUOTE"

A general discussion ensued, at the conclusion of which the following telegram to the Governor of the Federal Reserve Bank of San Francisco was approved, with the understanding that it would be dispatched over the names of the Federal Reserve Board and the Reconstruction Finance Corporation if and when approved by directors of the Corporation:

"Please transmit the following to Associated Transamerica stockholders QUOTE In our efforts to compose the controversies for the control of Transamerica, we have been moved by a deep sense of public responsibility and a desire only to safeguard the public interest and maintain banking stability under present disturbed conditions. We believe the plan that we suggested merited the confidence and cooperation of all parties at interest. UNQUOTE."

Reports of Standing Committee dated February 4 and 5, recommending approval of the following changes in stock at Federal Reserve banks:

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<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
First National Bank, Bassett, Va.	4	
National Bank of Blacksburg, Blacksburg, Va.	1	
American National Bank & Trust Co., Danville, Va.	3	
Peoples National Bank in Gate City, Va.	1	
Potomac Valley Bank, Petersburg, W. Va.	1	
First National Bank, West Union, W. Va.	<u>1</u>	11
<u>District No. 7.</u>		
Farmers Bank, Mason, Mich.	4	4
<u>District No. 8.</u>		
First National Bank, Oblong, Ill.	15	
State Savings Bank, Lebanon, Mo.	2	17
	<u>Total</u>	<u>32</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
Citizens Trust Company, Fredonia, N. Y. (Decrease in surplus)	60	60
<u>District No. 3.</u>		
Portland National Bank, Portland, Pa. (Insolvent)	75	75
<u>District No. 7.</u>		
First National Bank, Radcliffe, Iowa. (V.L.Abs. by First National Bank, Hubbard, Iowa)	36	
First National Bank, Amo, Ind. (V.L.Suc. by Citizens Bank, Amo, Ind.)	<u>21</u>	57
<u>District No. 9.</u>		
First National Bank, Starkweather, N. Dak. (Insolvent)	18	18
<u>District No. 10.</u>		
First National Bank, Vian, Okla. (V.L.Suc. by Vian State Bank)	21	21
<u>District No. 11.</u>		
First State Bank, Seymour, Texas. (Insolvent)	25	25
<u>District No. 12.</u>		
First National Bank, Kelso, Wash. (Insolvent)	72	72
	<u>Total</u>	<u>328</u>

Approved.

Reports of Standing Committee dated February 4 and 5, recommending approval of the following Clayton Act applications:

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Mr. W. F. Augustine for permission to serve at the same time as director of the Merchants National Bank of Salem, Mass., as director of the Winchester National Bank of Winchester, Mass., and as director and officer of the National Shawmut Bank of Boston, Mass.

Mr. Homer L. Skeels for permission to serve at the same time as director of the Montpelier National Bank of Montpelier, Vermont, and as director of the Peoples National Bank of Barre, Vermont.

Mr. C. Wesley Bensen for permission to serve at the same time as director and officer of the United States Trust Company of Paterson, New Jersey, and as director and officer of the First National Bank of Clifton, N. J.

Mr. Walter H. Gardner for permission to serve at the same time as director of the First National Bank of Clifton, N. J., and as officer of the Passaic National Bank and Trust Company of Passaic, N. J.

Mr. Charles A. Fairecloth for permission to serve at the same time as officer of the Passaic National Bank and Trust Company of Passaic, N. J., and as director of the First National Bank of Clifton, N. J.

Mr. Hugh H. Hilson for permission to serve at the same time as director and officer of the Peoples Bank and Trust Company of Passaic, N. J., and as director of the First National Bank of Clifton, N. J.

Mr. Joseph F. Hammond for permission to serve at the same time as director and officer of the Citizens Trust Company of Paterson, N. J., and as director of the First National Bank of Clifton, N. J.

Mr. William M. Tuttle for permission to serve at the same time as officer of the Paterson National Bank of Paterson, N. J., and as director of the First National Bank of Clifton, N. J.

Mr. Eustis Paine for permission to serve at the same time as director of the Central Hanover Bank and Trust Company of New York, N. Y., as director and officer of the Johnsonburg National Bank of Johnsonburg, Pa., and as director and officer of the Essex County National Bank of Willsboro, N. Y.

Mr. William P. Kenney for permission to serve at the same time as director of the First National Bank of St. Paul, Minn., and as director of the First National Bank in Minneapolis, Minn.

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Mr. D. M. Barnett for permission to serve at the same time as director and officer of the Barnett National Bank of Avon Park, Fla., as director and officer of the Barnett National Bank of Cocoa, Fla., and as director and officer of the Barnett National Bank of Jacksonville, Fla.

Approved.

The meeting adjourned at 12:55 p.m.

Walter Merrill
Secretary.

Approved:

Ernest C. ...
Governor.