

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 3, 1932, at 11:40 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 Board considered and acted upon the following matters:

Telegrams dated March 1, 1932, from the Chairman of the Federal Reserve Bank of St. Louis; and March 2 from the Chairman of the Federal Reserve Bank of Philadelphia, both advising that at meetings of the 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.

Telegram dated March 1, 1932, from the Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment of the following schedule of buying rates on bankers' acceptances:

1 to 45 days	2 5/8%
46 to 120 days	2 3/4%
121 to 180 days	3%
Repurchase	2 3/4%

Without objection, noted with approval.

Report of the Committee on Salaries and Expenditures on a letter dated February 23, 1932, from the Chairman of the Federal Reserve Bank of Dallas requesting approval of an increase in the salary of Mr. Howell E. Smith, a special representative in the insolvent banks department, from \$1,800 to \$2,400 per annum, in connection with his recent transfer to Corpus Christi, Texas, where his duties and responsibilities are greatly increased;

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the Board's Committee recommending approval.

Approved.

Letters to Messrs. Philip Stockton and B. W. Trafford, both of Boston, Massachusetts, stating that the Board has approved, under Section 25 of the Federal Reserve Act, the application filed by each of them for permission to serve at the same time as director and officer of the First National Bank of Boston, Massachusetts, and as director of the French American Banking Corporation of New York City, the stock of which is owned by the First National Bank of Boston.

Letters approved.

Reply to a letter dated February 24, 1932, from the Federal Reserve Agent at Atlanta reporting that the First National Bank, Millen, Georgia, has been deficient in its required reserves for more than six consecutive months; the reply stating that in accordance with the Federal Reserve Agent's recommendation, the Board will take no action at this time with regard to the bank's inadequate reserve balances, except to bring a copy of the Agent's letter to the attention of the Comptroller of the Currency.

Reply approved.

Reply, approved by five members of the Board on March 2, 1932, to a letter dated December 22, 1931, from the Federal Reserve Agent at Boston with further regard to the purchase of stock of the Continental Bank and Trust Company of New York City by the Carroll County Trust Company of Conway, New Hampshire; the reply stating that inasmuch as it appears that the investment by the trust company in stock of the Continental Bank and Trust Company has been approved by the board of directors of the Carroll County Trust Company,

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and now comes within the limitations prescribed by the laws of New Hampshire, the Federal Reserve Board, in accordance with the Federal Reserve Agent's recommendation, will take no action in the matter.

Reply approved.

Reply to a letter dated February 15, 1932, from the Federal Reserve Agent at Boston, transmitting information with regard to the action of the Security Trust Company, Lynn, Mass., a member, in assuming the liabilities and purchasing the assets of the Sagamore Trust Company of Lynn on January 20, 1932; the reply stating that in the absence of more detailed information regarding the assets acquired from the Sagamore Trust Company, the Federal Reserve Board will defer, until after the next examination of the member bank, consideration of the question whether the transaction referred to has resulted in any change in the general character of the assets of the Security Trust Company, or in the scope of the functions exercised by it at the time of its admission to membership in the Federal Reserve System. The reply requested the Agent to have an examiner participate in the next examination of the Security Trust Company for the purpose of securing information regarding the classification of the assets of the Sagamore Trust Company held by the Security Trust Company at that time against any unpaid balance of the liabilities assumed from the Sagamore Trust Company; also, that the Agent advise whether, in his opinion, the transaction calls for any action by the Board, under the conditions of membership of the Security Trust Company, affecting its status as a member of the System.

Reply approved.

Letter to the First State Bank, Dodsonville, Texas, approved by

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five members of the Board on March 2, 1932, advising that the Federal Reserve Board has approved the bank's application for membership in the Federal Reserve System and for twenty-seven shares of the capital stock of the Federal Reserve Bank of Dallas, subject to certain conditions set forth in the letter.

Letter approved.

Reply, approved by five members of the Board on March 2, 1932, to a letter dated January 27, 1932, from the Federal Reserve Agent at Boston, advising that of the state member institutions which were not examined by State authorities or Federal Reserve bank examiners during 1931, two were examined in December by the Boston Clearing House Association and arrangements were being made for early examinations of the other three; the Federal Reserve Agent suggesting, however, because of the difficulty of securing a sufficient number of competent examiners to make a satisfactory simultaneous examination of the head office and fourteen branches of the Industrial Trust Company of Providence, R. I., that one of three alternative courses be followed in making an examination of that institution. The reply stated that the position which the Board took several years ago in favor of simultaneous examinations of state member banks and branches is still believed to be the correct one, but that in view of the exceptional circumstances described in the Agent's letter and the importance of having available as much current information as possible regarding the condition of each member bank, the Board will not require a simultaneous entry at the head office and all branches of the Industrial Trust Company, but requests that the Agent make a simultaneous examination of the main office and as

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many of the larger branches as may be practicable, with the understanding that the examination of the remaining offices will not be unnecessarily delayed but will follow in as prompt succession as can be arranged.

Reply approved.

Reply to a letter dated February 19, 1932, from the Federal Reserve Agent at Chicago referring to the Board's ruling of January 12, 1915, that silver certificates may be used by a Federal reserve bank to reduce its liability for outstanding Federal reserve notes and inquiring whether silver certificates may be accepted as collateral for Federal reserve notes; the reply stating that under the provisions of Section 16 of the Federal Reserve Act a Federal reserve bank may reduce its liability for outstanding Federal reserve notes by depositing with the Federal Reserve Agent its Federal reserve notes, gold, gold certificates or lawful money of the United States, that while the Board in its ruling of 1915 held that silver certificates are within the meaning of the term "lawful money" as used in this provision of the law, the classes of collateral which may be used as security for Federal reserve notes are set forth in the second paragraph of Section 16 and do not include silver certificates and, that, accordingly, silver certificates may not lawfully be accepted as collateral for Federal reserve notes.

Reply approved.

Letter, approved by five members of the Board on March 2, 1932, to the Post Office Square Securities Corporation, Boston, Mass., formerly the Atlantic Corporation of Boston, referring to the agreement entered into by the corporation with the Federal Reserve Board pursuant to the provisions

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of Section 25 of the Federal Reserve Act in order that its stock might be eligible for purchase by national banks, and stating that inasmuch as the attorneys for the corporation have submitted to the Board a certificate of the Secretary of the corporation, that certain trustees were, on February 27, 1932, the holders of record of all of the shares of the common stock of the corporation, together with a certified copy of a trust agreement executed on February 27, 1932, under which all of the common stock of the corporation is held by the trustees for the benefit of the stockholders of the Atlantic National Bank of Boston, it is apparent that the basis upon which the agreement with the Federal Reserve Board was entered into has ceased to exist and, therefore, the Board is terminating the agreement and will not require any further reports from, or make any further examinations of, the corporation.

The letter was approved, as were letters, also approved by five members of the Board on March 2, to the Federal Reserve Agent at Boston, the Comptroller of the Currency, and the attorneys for the Post Office Square Securities Corporation enclosing copies of the letter to the corporation.

Letter to the Chairman of the Federal Reserve Bank of Minneapolis referring to the report of examination of the bank made by the Board's examiners as at the close of business January 5, 1932, and stating that it is noted that with certain exceptions the examiners' recommendations and suggestions were adopted during the course of the examination; the letter also stating (1) that the Federal Reserve Board will interpose no objection at this time to the waiving of minor penalties incurred by banks which are infrequently deficient in their reserves, but that, in the opinion of the Federal Reserve Board, the practice of waiving penalties, because of the

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fact that a bank which has been deficient in its reserves in one period maintains a corresponding excess of reserves in a subsequent period, is contrary to the letter and spirit of the Board's Regulation D and should be discontinued, (2) that in the opinion of the Board, Canadian currency and coin should be accepted in accordance with the plan outlined in the Board's letter of March 31, 1930, (X-6555), and that redemptions of both currency and coin should be effected as promptly as practicable, (3) that the Agent is requested to advise the Board as to what action is taken, after consultation with Counsel, with regard to the suggestion that banks offering for rediscount paper secured by chattel mortgages be required to limit to a reasonable figure the amount of any future advances provided for on the security of the chattels listed in the mortgage, or else be required to execute a subordination agreement, and (4) that it is necessary that a proposed amendment to the by-laws of the Helena Branch relative to a quorum of the Executive Committee of the branch, shall receive the approval of the Federal Reserve Board.

Letter approved.

Telegraphic reply, approved by five members of the Board on March 2, 1932, to a letter dated February 29 from Deputy Governor Crane of the Federal Reserve Bank of New York, advising that the Reichsbank has requested a renewal of the central bank credit which expires on March 4, and that the Executive Committee of the Federal reserve bank had voted, subject to the approval of the Federal Reserve Board, to authorize the officers to arrange for the renewal of the participation of the Federal Reserve Bank of New York for a period not exceeding three months from March 4, 1932, on the same

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terms and conditions as are agreed to by the other participants in the credit; the reply stating that the Board offers no objection to the action taken by the Executive Committee, noting that it appears likely that the renewal of the credit will be for a three months period and on the basis of a 10% repayment, but that otherwise the terms and conditions of the renewal will be the same as the previous agreement. The telegram also requested that the Board be definitely advised of the arrangements for the renewal when completed.

Reply approved.

Reply to a letter addressed to the Governor of the Federal Reserve Board under date of February 18, 1932, by Senator Frederick Steiwer referring to Bill S. 2409 and inquiring whether the language employed in Sections 5 and 6 thereof is adequate or in any way objectionable; Section 5 of the bill permitting any Federal reserve bank to discount bills payable to and bearing the indorsement of any Federal intermediate credit bank covering loans or advances made by such banks pursuant to the provisions of the Federal Farm Loan Act, as amended, which have maturities at the time of discount of not more than nine months, exclusive of days of grace, and which are secured by notes, drafts or bills of exchange eligible for rediscount by Federal reserve banks, and Section 6 making collateral trust debentures or other such obligations of Federal intermediate credit banks, which are eligible for purchase by the Federal reserve banks, acceptable as collateral security for fifteen day member bank collateral notes. The reply stated that it seems to the Federal Reserve Board that the provisions of the sections referred to are properly drawn and adequate to accomplish the purpose desired

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and that the Board will interpose no objection to their enactment in their present form.

Reply approved.

Reports of Standing Committee dated March 2 and 3, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
Newton National Bank, Newton, Mass. (Decrease in surplus)	12	12
<u>District No. 2.</u>		
Carthage National Bank, Carthage, N. Y. (V.L.Suc. by Carthage National Exchange Bank)	180	
National Exchange Bank & Trust Co., Carthage, N.Y. (V.L.Suc. by Carthage National Exchange Bank)	210	
First National Bank, Middleport, N. Y. (Insolvent)	30	
Palisade National Bank of Fort Lee, Palisade, N.J. (Decrease in surplus)	21	
First National Bank, Wharton, N. J. (V.L.Abs. by National Union Bank of Dover, N. J.)	45	
Industrial National Bank, New York, N. Y. (V.L.Abs. by Continental Bank & Trust Co. of N. Y.)	<u>1,350</u>	1,836
<u>District No. 3.</u>		
Hyde Park National Bank, Scranton, Pa. (V.L.Suc. by Pennsylvania Trust Co.)	120	120
<u>District No. 6.</u>		
First National Bank, Arcadia, Fla. (Insolvent)	84	
First National Bank, Miami, Fla. (Decrease in surplus)	<u>480</u>	564
<u>District No. 7.</u>		
First National Bank, Elmhurst, Ill. (V.L.Abs. by Elmhurst State Bank)	108	
First Iowa State Trust & Savings Bank, Burlington, Iowa. (Insolvent)	630	
National Bank of De Pere, Wis. (Insolvent)	<u>96</u>	834
<u>District No. 9.</u>		
First National Bank, Columbus, Mont. (Insolvent)	21	21
<u>District No. 10.</u>		
National Bank of Sabetha, Kans. (Insolvent)	60	60

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 11.</u>		
First National Bank, Stamford, Texas. (V.L.Suc. by First National Bank in Stamford)	102	102
<u>District No. 12.</u>		
First National Bank, Monterey Park, Calif. (Insolvent)	25	25
	<u>Total</u>	<u>3,574</u>

Approved.

Reports of Standing Committee dated February 13 and 29, recommending approval of the following Clayton Act applications:

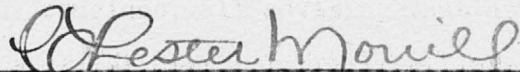
Mr. E. A. Frost for permission to serve at the same time as director of the Commercial National Bank of Shreveport, Louisiana, and as director of the State National Bank of Texarkana, Arkansas.

Mr. W. L. J. Davies for permission to serve at the same time as officer of the United States National Bank of Portland, Oregon, and as director of the First National Bank of Camas, Washington.

Mr. T. F. Dunn for permission to serve at the same time as officer of the United States National Bank of Portland, Oregon, and as director of the First National Bank of Camas, Washington.

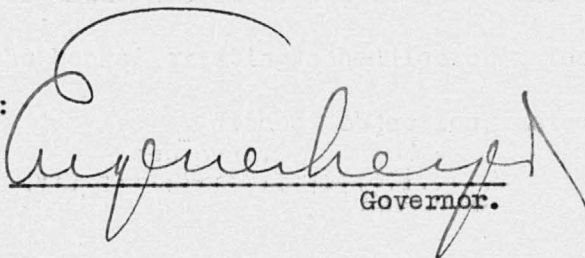
Approved.

Thereupon, the meeting adjourned.



Secretary.

Approved:



Governor.