

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, March 4, 1932, at 12:00 o'clock noon.

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

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 February 24, 25 and 26 were approved.

The Board then considered and acted upon the following matters:

Letter dated March 3, 1932, from the Comptroller of the Currency recommending approval by the Board of a salary at the rate of \$15,000 per annum for Mr. H. N. Stronck who has been appointed a national bank examiner and detailed to the Interior Department to examine banks in the Virgin Islands; the appointment having been made at the request of Assistant Secretary John H. Edwards of the Interior Department with the understanding that the Comptroller's office is to be reimbursed for all expenses and salary.

Recommendation approved.

Letter dated March 3, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated March 3 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 date stated, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

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Replies, approved by five members of the Board on March 3, 1932, to letters dated February 26 from the Federal Reserve Agent at Dallas, reporting that the Granger National Bank, Granger, Texas, the First National Bank, Silverton, Texas, and the First National Bank, Gibsland, Louisiana, were deficient in their required reserves during the period August 1, 1931 to January 31, 1932; the replies stating that in view of the circumstances outlined in each case, and in accordance with the Federal Reserve Agent's recommendations, the Board will take no action with regard to the banks' inadequate reserves other than to forward copies of the Agent's letters to the Comptroller of the Currency for the information of his office.

Replies approved.

Telegraphic reply, approved by five members of the Board on March 3, 1932, to a telegram dated March 2 from the Governor of the Federal Reserve Bank of Philadelphia requesting approval of the purchase by the reserve bank from the First National Bank of Ocean City, New Jersey, now closed, of \$250,000 of tax anticipation notes of the City of Ocean City and advising that this purchase, with other arrangements made locally, will enable the First National Bank to reopen; the reply stating that the Board authorizes the purchase with the understanding that the notes comply in all respects with the requirements of the Board's Regulation E except as to the population of the issuing municipality and that the amount which it is proposed to purchase represents the entire amount of warrants of the municipality outstanding.

Reply approved.

Reply to a letter addressed to the Governor under date of January

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25, 1932, by Assistant Secretary of the Treasury Ballantine transmitting statements of profit and loss for the calendar year 1931 and of assets and liabilities as of December 31, 1931, which were furnished the Treasury Department by all Federal reserve banks for the purpose of examination as to franchise tax liability, and requesting that these statements be examined and the Department advised whether they contain any charges against current net earnings which may not be in accordance with the Federal Reserve Act, as amended, or without the authority of the Federal Reserve Board; the reply stating that the statements referred to have been examined by the Board and that it was found that all charges made by the banks were in accordance with the law and were authorized by the Federal Reserve Board.

Reply approved.

Letter to The Colorado Bank and Trust Company, Delta, Colorado, advising that the Federal Reserve Board has approved the bank's application for membership in the Federal Reserve System and for 52 shares of the capital stock of the Federal Reserve Bank of Kansas City, subject to certain conditions set forth in the letter.

Letter approved.

At this point Mr. Goldenweiser, Director of the Division of Research and Statistics, Mr. Smead, Chief of the Division of Bank Operations, and Mr. Wyatt, General Counsel, entered the meeting.

Consideration was then given to a telegram dated March 3, 1932, from the Governor of the Federal Reserve Bank of San Francisco stating that due to the volume of Federal reserve notes required to be carried in the bank's vaults to make convenient cash operations at the six offices of the

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bank, its free gold has been reduced to a negligible amount and that it would, therefore, greatly facilitate the bank's operations if the Board would authorize it to pledge Government securities as collateral for Federal reserve notes. A general discussion followed, during which it was developed as the consensus of the members present that it would be desirable to defer action on Governor Calkins' request until the Board can give further consideration to the question whether the pledging of Government securities as collateral for Federal reserve notes should be handled as a System matter.

At the conclusion of the discussion the Governor stated that he would discuss the matter over the telephone with Governor Calkins.

Thereupon, the meeting adjourned.

Chas. H. Merrill
Secretary.

Approved:

W. P. Calkins
Governor.