

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, March 9, 1932, at 11:30 a. m.

PRESENT: The Chairman
Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Magee
Mr. Pole

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel.

The minutes of the meeting of the Federal Reserve Board held on March 1, 1932, were approved.

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

Application for 360 additional shares of stock in the Federal Reserve Bank of Atlanta, filed by the East Tennessee National Bank, Knoxville, Tennessee, and approved by the Executive Committee on March 7.

Application approved.

Telegrams dated March 4 from the Secretary of the Federal Reserve Bank of Cleveland and March 7 from the Chairman of the Federal Reserve Bank of Dallas, 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.

Reports of the Committee on Salaries and Expenditures recommending approval of changes in personnel classification plans at Federal reserve banks, as follows:

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Chicago: Creation of the new position "Currency Teller #1" in the Paying Teller Department of the Detroit Branch.

Kansas City: Reductions in the salary ranges for two positions in the Country Check Remittances Division of the Check Collection Department, and minor changes in the titles, descriptions of work, and qualifications required for those positions.

Recommendations approved.

Telegraphic reply to a telegram dated March 7, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority to purchase from the Endicott National Bank, Endicott, New York, a tax revenue note of the Village of Endicott in the amount of \$10,000; the reply stating that the Board authorizes the purchase with the understanding that the note meets all requirements of Regulation E except that it exceeds 25% of the total amount of warrants of the municipality outstanding.

Reply approved.

Reply, approved by five members of the Board on March 8, to a letter dated February 26, 1932, from the Federal Reserve Agent at Dallas reporting that the First National Bank, Raymondville, Texas, was deficient in its required reserves for the period August 1, 1931 to January 31, 1932; the reply stating that while, in accordance with the Agent's recommendation, the Board will take no action at this time concerning the bank's deficient reserve position, other than to forward a copy of his letter to the Comptroller of the Currency for the information of his office, it is requested that the Agent advise the Board of the response of the directors of the bank to the letters which he had addressed to them.

Reply approved.

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Reply to a letter dated February 18, 1932, from the President of the Baltimore Clearing House, Baltimore, Maryland, inquiring whether a certificate of deposit which is payable four months after date but which is also subject to the right of the bank to require thirty days notice in writing of withdrawal, may properly be classified as a time deposit for the entire four months period; the reply stating that the date of the maturity of such a certificate would be a matter of some uncertainty, and, before undertaking to express an opinion on the question raised, the Board would wish to have before it a copy of such certificate in its entirety, together with information as to the period for which interest on a deposit of this kind would be paid by the bank. The reply also stated that, in view of the ambiguous provisions of such a certificate, the rights of the depositor, as well as those of the bank, would appear to be uncertain and it would seem that the interests of all parties would be better served by the adoption of a form of certificate concerning the meaning of which there could be no doubt.

Reply approved.

Reply, approved by five members of the Board on March 7, to a letter dated February 24, 1932, from the Federal Reserve Agent at Richmond referring to the Board's letter of January 18, 1932, (X-7062) advising that in connection with the examination of state member banks the amount of depreciation on stocks and defaulted bonds only should be shown as losses, and inquiring whether the policy set forth in that letter is also applicable to banks applying for membership in the Federal Reserve System. The reply stated that, in the opinion of the Federal Reserve Board, there is justification, under present conditions, for differentiating in the treat-

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ment of bond depreciation which may exist in banks already members of the Federal Reserve System and that which may exist in the case of banks which are applying for admission to the System, but that in some recent cases the Board has not insisted upon strict observance of the policy outlined in its letter of June 19, 1931, (X-6914), and has approved applications for membership by banks with competent managements and the affairs of which were otherwise in generally satisfactory shape, upon condition that they should, prior to admission to the System, charge off all known losses and depreciation on bonds other than those classified in the four highest grades by an organized investment service organization. The reply also stated that, while no definite statement could be made in advance, it is probable that the Board would be disposed to extend similar treatment to the bond depreciation of other banks applying for membership in the System if their managements and condition were generally satisfactory in all other respects, and suggested that the Agent consider these aspects of the matter carefully and advise the Board fully with regard to them in connection with any recommendation that he may submit in any case in which he feels that the Board would be justified in making a similar allowance for bond depreciation.

The reply was approved and the Secretary was instructed to transmit a copy thereof to all other Federal reserve agents for their information and guidance.

Reply, approved by five members of the Board on March 5, to a letter dated February 25, 1932, from the Federal Reserve Agent at Atlanta inquiring whether the Federal Reserve Board has prescribed any regulations in connection with Section 8 of the Reconstruction Finance Corporation Act,

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which authorizes among others the Federal Reserve Board, under such conditions as it may prescribe, to make available to the Reconstruction Finance Corporation in confidence such reports, records and other information as it may have available relating to the condition of financial institutions and others; the reply stating that the Board has not prescribed any regulations for the reason that it is felt that the conditions under which information might be disclosed to the corporation would develop only through practical experience, and that safeguards should be worked out from time to time through informal understandings with the local managers of the loan agencies of the corporation in such a manner as to be helpful to the corporation and at the same time protect the confidential character of the information.

The reply was approved and the Secretary was instructed to transmit a copy thereof to all other Federal reserve agents for their information.

Reply, approved by five members of the Board on March 8, to letters dated February 1, 1932, from the Federal Reserve Agent at San Francisco referring to the actions on that date of the Albany State Bank, Albany, Oregon, and the First Savings and Trust Bank of Whitman County, Colfax, Washington, member institutions, in taking over the assets and assuming the liabilities of the First Savings Bank of Albany and the Colfax National Bank, respectively, and enclosing copies of letters to the member banks which contained the statement that, under their conditions of membership, the banks should have made application to, and received the approval of, the Federal Reserve Board before entering into the consolidations. The reply stated that while the procedure suggested by the Federal Reserve

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Agent is, of course, the desirable one, it has been found in the great majority of cases that it is not feasible to obtain in advance of a consolidation sufficient detailed information regarding the current condition of the banks involved and the terms of the consolidation to enable the Board to reach a considered decision as to whether or not the transaction would result in a change in the character of the assets of the continuing member bank or in the scope of the functions exercised by it within the meaning of the general condition of membership to which practically all member banks are subject; that for this reason it has become the practice of other Federal Reserve Agents to get in touch informally with the officers and directors of banks which are considering transactions of this character for the purpose of going over the situation with them and of cooperating in the working out of the transaction as far as possible in a manner which will be satisfactory, but without in any way attempting to forecast the ultimate action of the Board or to commit it in any way, since the circumstances are usually such that it is not feasible to present the matter adequately to the Board at such a time; that, therefore, it is the general practice of the Board when it receives preliminary advice of such a transaction to defer action until after the consolidation has been effected and the Board is in possession of complete information which can best be secured through an examination or credit investigation of the consolidated bank; that under this procedure there is ample time to study both the practical and legal aspects of the questions involved and to point out such adjustments, if any, as should be made in the light of a careful consideration of the facts; and that this practice avoids the necessity of delaying consolidations which in

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many instances must be effected quickly, and no difficulties in its practical operation have been met up to the present time.

Reply approved.

Reply made by the Governor on March 5, to a letter addressed to him under date of March 3, 1932, by Congressman Steagall requesting an expression of views with regard to H. R. 8931; the reply being similar to the letter to Senator Steiwer, approved at the meeting on March 3, with regard to S-2409 which contains provisions corresponding to those in H. R. 8931.

Reply approved.

Reply to a letter dated March 1, 1932, from Assistant Secretary of the Treasury Lowman requesting an expression of the views of the Board on S. 3826, "a bill providing for the establishment and maintenance of the bank depositors' guaranty fund"; the reply stating that a number of states have initiated and endeavored to maintain systems for the purpose of insuring or guaranteeing bank deposits but most of them have been terminated by legislative action and not one of them now remains in full force and effect and that the Federal Reserve Board and the Federal Advisory Council at various times in the past have expressed disapproval of such plans and it is believed that experience has demonstrated their fundamental unsoundness. The reply also stated that such systems tend to encourage incompetent and careless management and therefore penalize sound and efficiently operated institutions; that in the end they become hurtful rather than helpful to the best interests of the depositors and that, therefore, in the opinion of the Federal Reserve Board, the enactment of such legislation by Congress would not be beneficial.

Reply approved.

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Letter to the Chairman of the Federal Reserve Bank of Philadelphia, approved by five members of the Board on March 5, 1932, stating that according to the report of the examination of the bank as of the close of business October 10, 1931, the maximum penalty rate for deficiencies in reserves of member banks in that district has been reduced since the previous examination from 10% to 6%; that Regulation D provides a maximum penalty of 10%, and that, when a Federal reserve bank has been authorized by the Board to apply progressive penalties, such penalties should be assessed at the rate prescribed in the Regulation until the bank requests and receives the Board's permission to modify or discontinue such penalties. The letter also called attention to the fact that the progressive penalty is now in effect in only four Federal reserve districts and stated that if the Federal Reserve Bank of Philadelphia should desire to have the Federal Reserve Board discontinue progressive penalties in the Third Federal Reserve District, the Board would be glad to give consideration to such a request from the bank.

The letter was approved, as was a letter along the same lines, also approved by five members of the Board on March 5, to the Chairman of the Federal Reserve Bank of Atlanta, at which there has been in effect for a number of years, with the consent of the Federal Reserve Board, a maximum penalty rate of 8%.

Reply to a letter dated February 24, 1932, from the Federal Reserve Agent at Dallas with regard to the procedure to be followed in canceling Federal reserve bank stock issued to a member bank which is in liquidation or for which a receiver has been appointed, when the certificate representing such stock cannot be located; the reply stating that in view of the provision of Section 5 of the Federal Reserve Act that shares of Federal

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reserve bank stock owned by a member bank shall not be transferred or hypothecated, a Federal reserve bank, after the Federal Reserve Board has approved an appropriate application for cancellation, may safely cancel Federal reserve bank stock where the certificate has been lost, if at the time it makes refund on the stock it obtains an agreement of release from the member bank, discharging the Federal reserve bank from any liability on such lost stock certificate. The letter also suggested the inclusion in the agreement of a provision obligating the liquidating agent or receiver to surrender the certificate of stock in the event it should be located.

Reply approved.

Telegram dated March 7, 1932, from the Governor of the Federal Reserve Bank of San Francisco stating that the San Francisco bank had requested the Federal Reserve Bank of New York to take over \$10,000,000 of the former's participation in the System's Special Investment Account in order that the San Francisco bank might cover the Federal reserve notes in its cash; this action having been taken in anticipation of the Federal Reserve Board's approval of the bank's request for permission to pledge Government securities as collateral for Federal reserve notes.

Noted.

Reports of Standing Committee dated March 4, 7 and 8, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
Planters National Bank, Fredericksburg, Va.	72	72
<u>District No. 12.</u>		
First National Bank of La Grande, Oregon.	90	90
	<u>Total</u>	<u>162</u>

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<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
Foxboro National Bank, Foxboro, Mass.	30	
Winchester National Bank, Winchester, Mass.	<u>15</u>	45
<u>District No. 3.</u>		
First National Bank & Trust Co., Blackwood, N. J.	75	75
<u>District No. 4.</u>		
Rittman Savings Bank, Rittman, Ohio.	1	
National Exchange Bank & Trust Company, Steubenville, Ohio.	30	
Second National Bank, Ashland, Ky.	<u>30</u>	61
<u>District No. 10.</u>		
Farmers & Drovers National Bank, Marion, Kans.	1	
First National Bank, Tonganoxie, Kans.	1	
Gering National Bank, Gering, Nebraska.	3	
First National Bank, Minatare, Nebraska.	1	
Security National Bank, Clinton, Oklahoma.	<u>2</u>	8
	<u>Total</u>	<u>189</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
First National Bank, Gasport, N. Y. (Insolvent)	30	30
<u>District No. 4.</u>		
Citizens National Bank, Bolivar, Pa. (V.L.Abs. by Bolivar National Bank of Bolivar)	36	
First National Bank in Brockway, Pa. (Insolvent)	<u>60</u>	96
<u>District No. 5.</u>		
First National Bank, Warsaw, N. C. (Insolvent)	30	30
<u>District No. 6.</u>		
Southern Bank and Trust Co., Birmingham, Ala. (Insolvent)	333	
First National Bank, Murfreesboro, Tenn. (Insolvent)	<u>180</u>	513
<u>District No. 7.</u>		
Joliet Trust & Savings Bank, Joliet, Ill. (Insolvent)	120	
Rockford National Bank, Rockford, Ill. (Insolvent)	900	
First National Bank, Mendota, Illinois. (Insolvent)	<u>120</u>	1,140

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 8.</u>		
First National Bank, Jeffersonville, Ind. (V.L.Abs. by Clark County State Bank of Jeffersonville)	108	
Sedalia Trust Company, Sedalia, Mo. (Insolvent)	<u>75</u>	183
<u>District No. 9.</u>		
First National Bank, Blair, Wis. (V.L.Abs. by Union Bank of Blair)	18	18
<u>District No. 12.</u>		
Butler Banking Company, Hood River, Oregon. (Insolvent)	105	105
	<u>Total</u>	<u>2,115</u>

Approved.

Reports of Standing Committee dated March 5, 7 and 9, recommending approval of the following Clayton Act applications:

Mr. C. M. Shill for permission to serve at the same time as director and officer of the Woodlawn-American National Bank of Birmingham, Alabama, and as officer of the First National Bank of Birmingham, Alabama.

Mr. Frederick A. Dolfield for permission to serve at the same time as director of the Morris Plan Bank of Baltimore, Maryland, as director of the Maryland Trust Company of Baltimore, Maryland, and as officer of The Canton National Bank of Baltimore, Maryland.

Mr. George E. Wilson, Jr., for permission to serve at the same time as director of the Merchants and Farmers National Bank of Charlotte, North Carolina, and as director of the American Trust Company of Charlotte, North Carolina.

Mr. L. L. Marcell for permission to serve at the same time as director of the Commerce Trust Company of Kansas City, Missouri, and as director of the First National Bank in Wichita, Kansas.

Mr. J. M. Cumby for permission to serve at the same time as officer of the Republic National Bank and Trust Company of Dallas, Texas, as director and officer of the Liberty State Bank of Dallas, Texas, and as director and officer of the Oak Cliff Bank and Trust Company of Dallas, Texas.

Mr. W. O. Connor for permission to serve at the same time as director of the Republic National Bank and Trust Company of Dallas, Texas, as director of the Liberty State Bank of Dallas, Texas, and as director of the Oak Cliff Bank and Trust Company of Dallas, Texas.

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Mr. Frank E. Austin for permission to serve at the same time as director and officer of the Republic National Bank and Trust Company of Dallas, Texas, as director of the Liberty State Bank of Dallas, Texas, and as director of the Oak Cliff Bank and Trust Company of Dallas, Texas.

Mr. Leslie Waggener for permission to serve at the same time as director and officer of the Republic National Bank and Trust Company of Dallas, Texas, as director of the First National Bank of Waco, Texas, and as director of the Liberty State Bank of Dallas, Texas.

Approved.

Thereupon the meeting adjourned.

Peter Moriel
Secretary.

Approved:

Wm. L. Smith
Chairman.

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