

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, April 5, 1932, at 12:20 p. 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 following matters were presented for the consideration and action of the Board:

Reports of the Committee on Salaries and Expenditures on letters dated March 31, 1932, from the Chairman of the Federal Reserve Bank of Kansas City stating that, subject to the approval of the Federal Reserve Board, the Executive Committee of the bank had granted additional leaves of absence on account of illness to Mr. J. Frank Phillips, a guard at the head office, and Mr. D. C. Meigs, an employee of the Denver Branch, with full pay to the end of March and with half pay from April 1 to June 30, 1932; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of the Committee on Salaries and Expenditures on a letter dated March 24, 1932, from the Governor of the Federal Reserve Bank of Kansas City referring to the action of the Board on June 10, 1927, in approving a contribution by the bank of \$500 a year for five years to the Chamber of Commerce of Kansas City in connection with its five year program of industrial expansion, and requesting approval by the Board of the contribution by the Federal reserve bank of \$300 a year for an additional three years; the Board's Committee recommending, in view of the precedent established by the action of the Board in 1927, and the circumstances outlined in Governor

4/5/32

-2-

Hamilton's letter, that the Board approve the request.

Approved.

Letter to the Rockport National Bank, Rockport, Massachusetts, advising of approval of an application filed by the bank for permission to act, when not in contravention of state or local law, as trustee, executor, administrator and registrar of stocks and bonds, the exercise of such rights to be subject to the provisions of the Federal Reserve Act and the Regulations of the Federal Reserve Board.

Application and letter approved.

Reply to a letter dated March 18, 1932, from the Chairman of the Federal Reserve Bank of St. Louis, advising of an arrangement which has been made for the division between the Reconstruction Finance Corporation and the Federal Reserve Bank of St. Louis of the salary of Mr. O. M. Attebery, Deputy Governor of the bank, during the period of his service as Manager of the St. Louis Agency of the Reconstruction Finance Corporation, under which the Corporation will compensate Mr. Attebery at the rate of \$10,000 per annum and the Federal reserve bank at the rate of \$7,000 per annum; the reply stating that the Federal Reserve Board approves the payment to Mr. Attebery by the Federal Reserve Bank of St. Louis of the salary stated during the period of the arrangement with the Corporation.

Reply approved.

Reply to a letter dated March 25, 1932, from the Federal Reserve Agent at St. Louis reporting that the Park Savings Trust Company, Richmond Heights, Missouri, was continuously deficient in its reserves during the period of six and one-half months ending February 29, 1932; the reply stating that, in accordance with the Agent's recommendation, the Board will take no

4/5/32

-3-

action in the matter at the present time, but requests, in the event the member bank's reserves are not restored promptly and maintained, that the Agent give consideration to the advisability of again addressing a letter to each of the directors calling attention to the reserve record of the bank and to their responsibility in the premises, and, if such letters are dispatched, that the Agent advise the Board of the response made thereto.

Letter approved.

Reply to a letter dated March 25, 1932, from the Federal Reserve Agent at St. Louis, calling attention to continuous reserve deficiencies on the part of the First National Bank, Dawson Springs, Kentucky, during the period of six and one-half months ending February 29, 1932; the reply stating that, in view of the circumstances outlined in the Federal Reserve Agent's letter and in accordance with his recommendation, the Board will take no action at the present time with regard to the bank's unsatisfactory reserve position, although a copy of the Agent's letter is being forwarded to the Comptroller of the Currency for the information of his office. The reply also requested that the Agent advise the Board of the response made by the directors to the letters which he addressed to them under date of March 14, 1932, concerning the bank's inadequate reserves.

Letter approved.

Letter to the Chairman of the Federal Reserve Bank of St. Louis stating that it has been noted by the Board from his letters of March 18, 1932, that at the meeting of the Board of Directors of the bank on March 16, 1932, Sections 1 and 5 of Article III of the by-laws of the bank were amended so as to provide for more than one Deputy Governor, that Mr. James G. McConkey who has been serving as Counsel and Secretary of the bank was appointed

4/5/32

-4-

Deputy Governor and Counsel, and that Mr. Clarence M. Stewart, Assistant Federal Reserve Agent, was appointed also as Secretary of the bank.

Letter approved.

Telegram to Deputy Governor Zurlinden of the Federal Reserve Bank of Cleveland, referring to his telegram of April 4, 1932, requesting authority under Section 10(b) of the Federal Reserve Act, for an advance in the amount of \$125,000, for thirty days at a rate of 5 1/2% per annum, to the National Bank of Commerce, Lorain, Ohio, on the security of \$271,000 par value miscellaneous bonds rating A-1 plus to B; the bank having exhausted all of its eligible paper, and being faced with sudden withdrawals of public funds which could be met only through borrowing or sale of bonds at ruinous losses. The proposed reply stated that the Board authorizes the advance in accordance with the terms and conditions proposed.

Unanimously approved.

Reply to a letter dated March 10, 1932, from the Federal Reserve Agent at Dallas in which he referred to overdrafts by certain officers of the Junction State Bank, Junction, Texas, made without authority of the Board of Directors as required by state law, and stated that in his opinion these overdrafts do not fall within the scope of irregularities which constitute "wilful misapplication of funds" as defined in the letter addressed to the Board by the Assistant Attorney General under date of January 22, 1932, and that, if the Board prefers that in the future he exercise his discretion to the extent indicated in the Assistant Attorney General's letter, he will be glad to govern himself accordingly; the Board's reply stating that the Board agrees with the view expressed in the Agent's letter; that, therefore, it is not reporting to the Attorney General the overdrafts referred to; and that

4/5/32

-5-

it would seem proper in the future for the Agent to report to the Board and to the proper local United States Attorney as possible violations of the provisions of Section 5209 of the Revised Statutes of the United States, only cases of the general character referred to in the Assistant Attorney General's letter, including any cases in which the Agent has a doubt as to whether a Federal offense has been committed.

Reply approved.

Reply to a letter dated March 19, 1932, from the Governor of the Federal Reserve Bank of Richmond in which he referred to the low free gold position of the bank, because of which it has been compelled to ask other Federal reserve banks to take over temporarily some of its participation in the Open Market Investment Account, and inquired whether the Board is prepared to consider a request from the bank for permission to pledge Government securities as collateral for Federal reserve notes; the reply stating that the Board has devoted a great deal of thought to the question as to the conditions under which it might properly take action pursuant to the authority conferred upon it under Section 3 of the Act of February 27, 1932, that it has been inclined to the view that such action as it might take should have regard to the position of the System as a whole rather than that of any one Federal reserve bank, and that it has seemed to the Board that the fact that it would enable a particular Federal reserve bank to repurchase Government securities from other Federal reserve banks in order to restore its proportionate share in the System account would not alone be a sufficient ground for the exercise of the authority. The letter also stated that if there should be further developments in the situation at the Federal Reserve Bank of Richmond which, in the opinion of the Board of Directors of the bank,

4/5/32

-6-

should be brought to the attention of the Federal Reserve Board with the view of action under the amendment of February 27, 1932, the Board will be glad to be advised.

Reply approved, as were letters to the Federal Reserve Agent at Atlanta and the Governor of the Federal Reserve Bank of San Francisco, referring to similar inquiries received from them under date of March 14, 1932, and March 3, 1932, respectively, and enclosing in each case a copy of the letter to the Governor of the Federal Reserve Bank of Richmond.

Letter to the Office Director of the Bureau of Liquid Fuels Tax of the State of Pennsylvania, approved by five members of the Board on April 4, referring to his letter of March 14, 1932, with regard to the exemption of Federal Reserve banks from state taxes on liquid fuels, and stating that while the Comptroller General has advised that his office has no objection to the use by Federal reserve banks of Standard Exemption Form No. 44 in obtaining exemption from such taxes, the Board is of the opinion that the form is not appropriate for use by a Federal reserve bank and that, since there is no doubt that a Federal reserve bank is exempt from such a tax, it would seem to be sufficient for the purposes of the Bureau that the representative of a Federal reserve bank purchasing liquid fuels shall be properly identified and that the fuel is for the use of the Federal reserve bank. The letter also requested that the Director confer with the officers of the Federal Reserve Bank of Philadelphia and the Pittsburgh Branch of the Federal Reserve Bank of Cleveland with a view to formulating a satisfactory procedure by which the Bureau will be supplied with appropriate certificates showing that the liquid fuel is purchased by authorized representatives of the Federal reserve bank and for the use of the bank on its official business.

Letter approved.

4/5/32

-7-

The Governor reported that a meeting of the Executive Committee of the Open Market Policy Conference of the Federal Reserve System was held at the Federal Reserve Bank of New York today at which it was voted to continue the purchase of Government securities for System account at the rate of \$25,000,000 a week, as authorized at the last meeting of the Conference. He stated that the suggestion was made by the Committee that another meeting of the Open Market Policy Conference be held in the near future.

The members of the Board concurred in the suggestion and it was decided to call a meeting of the Conference to convene in Washington on Tuesday, April 12, 1932, at 10:00 a.m. and to request the personal attendance of the Governors of all Federal reserve banks.

Reports of Standing Committee dated April 4, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
Somerville Trust Company, Somerville, Mass.	45	45
<u>District No. 2.</u>		
First National Bank in Mamaroneck, N. Y.	59	59
<u>District No. 4.</u>		
Citizens National Bank, Indiana, Pennsylvania.	9	9
<u>District No. 8.</u>		
First National Bank in Green Forest, Arkansas.	3	
First National Bank, Carlyle, Illinois.	1	
Salem National Bank, Salem, Illinois.	6	
Taylor National Bank, Campbellsville, Kentucky.	33	
First National Bank, West Point, Mississippi.	15	
First National Bank in Cowgill, Missouri.	<u>1</u>	59
<u>District No. 9.</u>		
First National Bank in Amboy, Minnesota.	1	
American National Bank, Nashwauk, Minnesota.	1	
First National Bank, Maiden Rock, Wisconsin.	<u>1</u>	3

4/5/32

-8-

Applications for ADDITIONAL Stock: (Cont'd)District No. 11.

State National Bank, Marshall, Texas.

First National Bank, Mineola, Texas.

First National Bank, Refugio, Texas.

Shares

1

12

6

19

Total194

Approved.

Reports of Standing Committee dated February 17 and April 4, 1932,
recommending approval of the following Clayton Act applications:

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

Mr. Graham Dukehart for permission to serve at the same time as director and officer of the First National Bank of Linnton, Portland, Oregon, and as officer of The United States National Bank of Portland, Oregon.

Mr. E. E. Linthicum for permission to serve at the same time as director of the First National Bank of Birmingham, Alabama, and as director of the North Birmingham American Bank of Birmingham, Alabama.

Mr. Robert D. Cole for permission to serve at the same time as director of the First National Bank of Atlanta, Georgia, and as director and officer of the Manufacturers National Bank of Newnan, Georgia.

Approved.

Thereupon the meeting adjourned.

Olester Mouie
Secretary.

Approved:

Eugene Hays
Governor.