

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, April 16, 1932, at 11:40 a. m.

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

Mr. Morrill, Secretary  
Mr. McClelland, Assistant Secretary  
Mr. Harrison, Assistant to the Governor.

The Board considered and acted upon the following matters:

Letter dated April 14, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegram dated April 14, 1932, from the Chairman of the Federal Reserve Bank of Richmond, both advising that at meetings of the 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.

Memorandum dated April 13, 1932, from Assistant Secretary McClelland recommending that Mr. Erastus R. Massey be appointed as a stenographer on the Board's staff, with salary at the rate of \$1,800 per annum, effective April 16, 1932, and that he be assigned to the Division of Examinations.

Recommendation approved.

Report of the Committee on Salaries and Expenditures on a letter dated April 9, 1932, from Deputy Governor Helm of the Federal Reserve Bank of Kansas City, requesting approval of a change in the personnel classification plan of the bank to provide for the creation of the new position of "Special Agent" in the Failed Banks-Rediscounts Department; the Board's Committee recommending approval.

Approved.

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Reply, approved by five members of the Board on April 14, to a letter dated April 9, 1932, from the Chairman of the Federal Reserve Bank of Richmond, advising of an arrangement which was made, effective February 7, 1932, for the division between the Reconstruction Finance Corporation and the Federal Reserve Bank of Richmond of the salary of Mr. R. H. Broaddus, Deputy Governor of the bank, during the period of his service as Manager of the Richmond Agency of the Reconstruction Finance Corporation, under which the Corporation would compensate Mr. Broaddus at the rate of \$8,000 per annum and the Federal reserve bank at the rate of \$6,000 per annum; the reply stating that the Board approves the payment to Mr. Broaddus by the Federal Reserve Bank of Richmond of the salary stated during the period of the arrangement with the Corporation.

Reply approved.

Reply, approved by five members of the Board on April 14, to a letter dated April 6, 1932, from the Chairman of the Federal Reserve Bank of St. Louis requesting approval by the Board of an amendment to Section 1 of Article IV of the by-laws of the Louisville branch, under which the closing hour of the branch on Saturdays will be 1:00 p. m. instead of 2:00 p. m., the hour of closing on other business days; the reply stating that the Board approves the amendment referred to.

Reply approved.

Telegraphic reply, approved by five members of the Board on April 13, to a telegram dated April 13, 1932, from Deputy Governor Day of the Federal Reserve Bank of San Francisco recommending approval by the Board of an application filed by the Old National Bank and Union Trust Company, Spokane, Washington, for an advance, under the provisions of Section 10(b)

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of the Federal Reserve Act, in the amount of \$2,500,000, for a period of three months, at a rate of 5 1/2% per annum, on the security of \$3,395,000 face amount of school district warrants, real estate loans, loans secured by stock and bonds, automobile contract loans and unsecured loans; the bank desiring the advance in order to meet demands caused by a threatening emergency facing a competing bank in Spokane. The reply stated that the Board authorizes the advance by the Federal Reserve Bank of San Francisco under the terms and conditions recommended.

Unanimously approved.

Telegraphic reply, approved by five members of the Board on April 15, to a letter dated April 14, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York transmitting an application by the Lincoln National Bank of Newark, New Jersey, for an advance of \$175,000, under the provisions of Section 10(b) of the Federal Reserve Act, and requesting approval of the advance for a period of ninety days, at a rate of 5 1/2% per annum, on the security of \$225,000 face amount of customers' paper of building and loan associations, motor finance companies, etc.; the reason given for the application being that the bank has borrowed to the extent of its eligible paper with the Federal Reserve bank and is borrowing practically to the limit of its bond account with its correspondent, and that the bank's reserves have shown an average deficiency of \$97,000 during the past fifteen days and are now deficient in the amount of \$190,000. The reply stated that the Board approves the advance under the terms and conditions recommended.

Unanimously approved.

Telegram to Deputy Governor Day of the Federal Reserve Bank of San Francisco replying to his telegram of April 15, 1932, recommending approval

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of an application made by the Anglo California Trust Company, San Francisco, under the provisions of Section 10(b) of the Federal Reserve Act, for an advance of \$5,000,000, for a period of four months, at a rate of 5 1/2% per annum, on the security of \$7,500,000 face amount of bonds, real estate mortgages, and notes secured by stocks and bonds; the reason given for the application being that the advance is desired to meet demands arising out of a situation confronting a closely associated bank which has nineteen affiliated banking institutions. The reply stated that the Board approves the advance under the terms and conditions stated.

Assistant Secretary McClelland reported that Mr. James, before leaving Washington yesterday evening, had approved the application and initialed the telegram to Deputy Governor Day. Mr. Miller stated that he was reluctant to vote for the proposed advance because he felt that the circumstances were such that it would be preferable if it were obtained from the Reconstruction Finance Corporation. Governor Meyer stated that Governor Calkins of the Federal Reserve Bank of San Francisco, while in Washington earlier in the week, had discussed the matter with him, and he understood also with other members of the Board, and had expressed the opinion that if the application were submitted to the Reconstruction Finance Corporation the fact that such an application had been made would become known with very unfortunate results, especially in view of the tense state of mind of the people in California with respect to banking conditions. Therefore, Governor Calkins felt that the matter should be handled by the Federal reserve bank rather than the Reconstruction Finance Corporation. Governor Meyer added that no application had been received by the Reconstruction Finance Corporation and consequently that the Corporation could take no action at this time

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with respect to it.

Upon further discussion the application was approved unanimously.

Telegraphic reply, approved by five members of the Board on April 15, to a telegram dated April 14, 1932, from Governor Harrison of the Federal Reserve Bank of New York stating that the Bank for International Settlements had advised that all of the other participants in the credit to the Austrian National Bank and all but one small participant in the credits to the Hungarian National Bank had agreed to renew their participations in the credits for three months on the same conditions as applied to the previous renewals, except that they had agreed to the waiver of the engagement commission of 1/4% on the credits and to a reduction to 90,000,000 schillings in the amount of unencumbered gold to be held by the Austrian National Bank against its credit which previously had been reduced to the equivalent of 90,000,000 schillings. The reply stated that the Board interposes no objection to the modifications in the terms and conditions of the credits to the Austrian National Bank and the Hungarian National Bank, in connection with the renewals of the New York bank's participation in the credits for periods of three months from April 16 and April 18, 1932, respectively, it being understood that the possible withdrawal of one participant in the Hungarian credits will not involve any increase in the New York bank's participation in the credits.

Reply approved.

Telegram dated April 15, 1932, from Deputy Governor Crane of the Federal Reserve Bank of New York advising that the credits to the Austrian National Bank and the Hungarian National Bank have been renewed by all participants for periods of three months from April 16 and April 18, 1932,

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respectively, with the modifications referred to above.

Noted.

Letter to The First National Bank of Fort Worth, Texas, approved by five members of the Board on April 14, 1932, advising that, in addition to the authority previously granted to the bank to act, when not in contravention of State or local law, as trustee, executor and registrar of stocks and bonds, the Federal Reserve Board has approved the application filed by the bank for permission to act as administrator, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas, 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 31, 1932, from the Federal Reserve Agent at Dallas, reporting that the First National Bank of Rock Springs, Texas, was continuously deficient in its reserves during the six months period ending March 15, 1932; the reply stating that, in accordance with the Agent's recommendation and in view of the fact, communicated in his letter of April 4, 1932, that the bank has now restored its reserves to the required amount, the Board will take no action in the matter, other than to forward a copy of the Agent's letter to the Comptroller of the Currency for the information of his office.

Reply approved.

Letter to the Federal Reserve Agent at San Francisco, approved by five members of the Board on April 15, referring to his letter of February

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29, 1932, transmitting information with regard to the transaction by which the Coffman Dobson Bank and Trust Company, Chehalis, Washington, a member, acquired certain of the assets and assumed the liabilities, other than to stockholders, of the First National Bank of Chehalis, effective as of February 23, 1932; the reply stating that in accordance with its usual policy, the Board will defer action on the question whether the transaction has resulted in a change in the character of the assets of the member bank or broadening in the functions exercised by it within the meaning of the general condition of membership, until it is in possession of complete information with reference to the matter, which, in this case, can best be obtained through an examination of the merged institution. The letter also requested the Agent to instruct his examiners to secure at the time of the next examination of the member bank, or through an independent credit investigation, a classification of the criticised assets taken over from the national bank.

Letter approved.

Letter to the Federal Reserve Agent at Chicago, approved by five members of the Board on April 14, referring to Assistant Federal Reserve Agent Young's letter of April 5, 1932, with which he submitted, in accordance with the request contained in the Board's letter of March 30, 1932, additional information in connection with the transaction by which the Monticello State Bank of Monticello, Iowa, on December 30, 1931, purchased the assets and assumed the deposit liabilities of the Lovell State Bank of Monticello; the Board's letter stating that it does not appear from the information submitted that the transaction has resulted in a change in the general character of the assets of the Monticello State Bank or broadening in the functions exercised

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by it within the meaning of the general condition under which the bank was admitted to membership in the Federal Reserve System, and that the Federal Reserve Board will, therefore, interpose no objection to the transaction.

Letter approved.

Reply, approved by five members of the Board on April 14, to a letter dated March 9, 1932, from the Deputy Superintendent of Banks of the State of New York advising that the Genesee River National Bank of Mt. Morris, New York, has forwarded to the State Banking Department the certificate issued by the Board on February 27, 1932, that the bank is no longer authorized to exercise fiduciary powers, and requesting that the Board advise the Department that the national bank has not at present any fiduciary business; the Board's reply stating that before issuing to the national bank the certificate above referred to, the Board requested the Comptroller of the Currency to make an examination to determine whether any trusts which the bank might have accepted had been properly disposed of, and that the Comptroller had advised the Board that an examination made of the bank on February 3, 1932, disclosed that the bank had never exercised any of the fiduciary powers granted to it by the Board. The reply also called attention to the fact that the Board is required by the provisions of Section 11(k) of the Federal Reserve Act to satisfy itself that a national bank has been relieved of all of its duties as fiduciary before it issues to such bank a certificate that the bank is no longer authorized to exercise trust powers, and that a national bank to which the Board has issued such a certificate is entitled, under the provisions of the Act, to have returned to it any securities which it may have deposited with State authorities for the protection of private



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or court trusts.

Reply approved.

Reply, approved by five members of the Board on April 15, to a letter dated March 12, 1932, from Deputy Governor Zurlinden of the Federal Reserve Bank of Cleveland, enclosing copies of correspondence with the Union Storage Company of Erie, Pennsylvania, in which the question is raised as to whether notes of farmers given to finance the storage of cherries grown by them and cold packed at their expense are to be regarded as agricultural paper and therefore eligible for rediscount with maturities up to nine months; the reply stating that the Board has heretofore taken the position that the storage of crops pending their orderly marketing is one of the steps in the marketing of such crops and that the paper of a grower the proceeds of which have been used to enable him to store his crops pending an orderly marketing is agricultural paper; that if the processing or cold packing of the cherries in the present case is incidental to the agricultural operations of the grower and necessary to the successful consummation thereof, his notes given for the purpose of financing the storage of the cherries as one of the steps in their orderly marketing, would appear to be eligible as agricultural paper; but that before taking a definite position on this question, the Board would be glad to have a more complete statement of the reasons for the view expressed by Deputy Governor Zurlinden that the grower in packing and storing the cherries is engaged in commercial rather than agricultural operations.

Reply approved.

Letter to the Chairman of the Federal Reserve Bank of St. Louis, referring to his reply of April 6, to the Board's letter of March 16, 1932, relative to the report of examination of the Federal Reserve Bank of

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St. Louis and its branches as of January 23, 1932. The proposed letter stated that the various comments contained in the Chairman's reply have been carefully noted, particularly those relating to the recommendations of the Board's examiner that the bank and its branches retain in their files the original or certified copies of financial statements of borrowers in lieu of the present practice of maintaining card analyses of credit information, and that the financial statements of former borrowers to be retained at the Memphis branch be enlarged so as to include additional and more detailed information as to certain items; and that, while the Board is in full sympathy with these recommendations, in view of the attitude of the directors of the reserve bank and the unsettled conditions which exist, the Board will not object to the bank continuing its present practice for the time being, although it is requested that at a later date, when circumstances warrant, consideration be given to making the changes effective.

Letter approved.

The Governor stated that Mr. Goldenweiser, Director of the Board's Division of Research and Statistics, has received a request from the Acting Chairman of the Ways and Means Committee of the House of Representatives to appear before the Committee early next week in connection with hearings being conducted by the Committee on bills providing for immediate payment of the Soldiers' Adjusted Compensation certificates, and the Governor inquired whether there would be any objection on the part of the members present to Mr. Goldenweiser's complying with the request.

After a brief discussion, the Secretary was requested to advise Mr. Goldenweiser that the Board has no objection to his appearing before the Committee in his personal capacity and in no way as a representative of the Federal Reserve Board.

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The Governor then presented a draft of a reply, prepared by him in accordance with the action taken at the meeting of the Board on April 13, 1932, to the letter received under date of April 12, 1932, from Mr. J. B. McDougal, as Acting Chairman of the Open Market Policy Conference.

The reply, reading as follows, was approved:

"I have brought to the attention of the Board your letter of April 12, 1932, in which you stated that 'the Governors of the Federal Reserve Banks, sitting today as an Open Market Committee, have necessarily given consideration to Senate Bill No. 4115, and to the suggestions in reference thereto submitted by the Federal Reserve Board', and requested that I communicate the conclusion reached to the Banking and Currency Committee of the Senate.

The meeting of the Open Market Committee, as you know, was called by the Federal Reserve Board not for the purpose of considering Senate Bill No. 4115 or the comments and recommendations which the Board submitted to the Senate Committee on Banking and Currency, but for the purpose of considering the open market policy of the system. It seems to the Board that the question whether any Federal reserve bank should submit its views regarding S. 4115 to the Senate Committee on Banking and Currency is one for determination by its board of directors. In the circumstances, the Board does not feel that it should comply with the request contained in your letter."

Drafts of a telegram and letter to the Federal Reserve Agent at Chicago, replying to his letter of March 5, 1932, and telegram of April 15, 1932, outlining the considerations which make it desirable to have a representative of the Federal Reserve Agent stationed at the Detroit branch, and requesting approval by the Board of the appointment as Assistant Federal Reserve Agent at the branch of Mr. W. C. Recknagel who has been employed at the branch since 1920; the Board's telegram and letter advising of approval of the designation with the understanding that Mr. Recknagel will be carried on the payroll of the Federal Reserve Agent and will be responsible solely to him for the proper performance of his duties. The telegram and letter also stated that before the designation becomes effective Mr. Recknagel

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should execute the usual form of oath of office and a surety bond for \$50,000 in the form enclosed in the letter, which should be submitted to the Board for approval.

Letter and telegram approved.

Reply to a letter dated March 29, 1932, from the Federal Reserve Agent at Chicago stating that under a recent change in procedure bankers' acceptances pledged with the Agent at the Chicago office have been transferred to the investment department, thereby making a representative of the Agent necessary in that department, and that he has appointed Mr. Frank R. Hoffman as such representative with George L. Moore as alternate. The Federal Reserve Agent also stated that for several years the Federal Reserve Agent has had representatives in the discount department of the Chicago bank and the Detroit branch and that in order to bring the record up to date he has reappointed Mr. Caleb Henningson as his representative at the Chicago office with Mr. George L. Moore as alternate, and Mr. J. F. Billig as his representative at the Detroit branch with Mr. Edmund J. Quandt as alternate. The Board's reply noted the appointments and stated that the Board feels that no formal action on its part is required, it being understood that the appointment of these representatives does not in any way relieve the Agent of his personal responsibility as the official custodian of the collateral pledged with him as security for Federal reserve notes.

Reply approved.

Reports of Standing Committee dated April 15, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 8.</u>		
Mercer County National Bank, Harrodsburg, Ky.	72	72

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<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
National Bank of Whitehall, N. Y. (Insolvent)	90	90
<u>District No. 5.</u>		
First National Bank in Florence, S. C. (Insolvent)	90	
Schmelz National Bank, Newport News, Va. (V.L.Abs. by First National Bank of Newport News)	<u>360</u>	450
<u>District No. 8.</u>		
Producers State Bank, Siloam Springs, Ark. (Insolvent)	18	18
<u>District No. 11.</u>		
First National Bank, Rockdale, Texas. (V.L.Abs. by Rockdale State Bank of Rockdale)	54	54
	<u>Total</u>	<u>612</u>

Approved.

Reports of Standing Committee dated April 13, 1932, recommending approval of the following Clayton Act applications:

Mr. Lindley C. Morton for permission to serve at the same time as director of the First National Bank of Birmingham, Alabama, and as director of the Manufacturers Trust Company of New York, N. Y.

Mr. Henry B. Kennedy for permission to serve at the same time as director of the Fulton National Bank of Atlanta, Georgia, and as director and officer of the Empire Trust Company of Atlanta, Georgia.

Mr. O. G. Thomas for permission to serve at the same time as director of the First National Bank of Arcadia, Louisiana, and as director of the City Savings Bank and Trust Company of Shreveport, Louisiana.

Mr. J. W. Royall for permission to serve at the same time as officer of the Republic National Bank and Trust Company of Dallas, Texas, and as director of the First National Bank in Honey Grove, Texas.

Mr. J. M. Hadra for permission to serve at the same time as officer of the Republic National Bank and Trust Company of Dallas, Texas, and as director of the First National Bank in Honey Grove, Texas.

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Mr. J. A. Coleman for permission to serve at the same time as director of the First National Bank of Monroe, Washington, and as director of the First National Bank of Everett, Washington.

Mr. L. S. Omohundro for permission to serve at the same time as director of the Whitesboro National Bank of Whitesboro, Texas, and as officer of the Merchants & Planters National Bank of Sherman, Texas.

Approved.

Thereupon the meeting adjourned.

Oester Mouill  
Secretary.

Approved:

Auguerhey  
Governor.