

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, April 20, 1932, at 11:20 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 minutes of the meetings of the Federal Reserve Board held on April 5, 6, 7 and 8, 1932, were approved.

The Board then considered and acted upon the following matters:

Telegram dated April 20, 1932, from the Chairman of the Federal Reserve Bank of St. Louis, stating that the Board of Directors, at its meeting today, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Report of the Committee on Salaries and Expenditures on a letter dated April 11, 1932, from Deputy Governor Gilbert of the Federal Reserve Bank of New York, requesting approval by the Board, under the bank's personnel classification plan, of the continuation of the temporary assignment to the Credit Department of Mr. Walter R. Noe of the Collection Department, and Mr. Harold Oeters of the Administration Department; the Board's Committee recommending approval of the temporary assignments for an additional period of one year.

Recommendation approved.

Letter, approved by five members of the Board on April 18, 1932, to the Chairmen of all Federal reserve banks, requesting that in the future the

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Board be furnished with copies of all addresses on the subjects of banking and credit delivered by officers and employees of the respective reserve banks.

Letter approved.

Letter to the president of The Chase Bank, New York City, New York, approved by five members of the Board on April 18, 1932, inclosing two copies of the report of examination of the Tientsin branch of The Chase Bank, made for the Federal Reserve Board as at the close of business on December 24, 1931, and stating that, as soon as the report of examination of the Hongkong branch is received, copies will be forwarded to The Chase Bank.

Letter approved.

Reply, approved by five members of the Board on April 18, to a letter dated April 9, 1932, from the Secretary of the Federal Reserve Bank of Atlanta, submitting for the approval of the Board the vacation periods fixed by the directors for the officers and employees of the bank, its branches and agencies during the current year, and stating that, subject to the approval of the Board, the Board of Directors of the bank has extended the vacation of Deputy Governor Johns eight days beyond the regular period, with full pay; the reply stating that the Board will interpose no objection to the vacation periods fixed by the Board of Directors of the bank, and that it has noted without objection the extended vacation period fixed for Deputy Governor Johns.

Reply approved.

Reply, approved by five members of the Board on April 18, to a memorandum dated April 8, 1932, from the Comptroller of the Currency, with regard to the application of the Unaka and City National Bank of Johnson City, Tennessee, for permission to reduce its capital stock from \$400,000 to \$200,000 through the surrender of 50% of the outstanding stock, and immediately

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thereafter to increase the capital to \$300,000 by the sale to present stockholders of 1,000 shares of new stock of \$100 par value at \$125 per share; the reply stating that, with the understanding that the reduction in capital will be authorized by a vote of shareholders owning two-thirds of the stock of the national bank and that arrangements will be made whereby the liability of the national bank for circulation outstanding will at no time exceed the amount of its capital, the Federal Reserve Board approves the proposed reduction, under the plan submitted, subject to the conditions recommended by the Comptroller of the Currency, (1) that funds amounting to \$125,000 in payment for the proposed increase in capital be subscribed and paid in a special account in the bank before the reduction in capital becomes effective, and (2) that charge-offs in assets aggregating not less than \$260,000, including certain specified items, be made.

Reply approved.

Reply, approved by five members of the Board on April 18, to a memorandum dated April 6, 1932, from the Comptroller of the Currency, with regard to the application of the Farmers National Bank of Theresa, New York, for permission to reduce its capital stock from \$50,000 to \$25,000 by exchanging \$50 par value stock for the present shares of \$100 par value, and crediting the released capital to undivided profits, it being the plan immediately following the reduction to increase the capital to \$50,000 by the sale of 500 shares of new stock for \$37,500, the premium of \$12,500 also to be transferred to undivided profits; the reply stating that with the understanding that the reduction in capital will be authorized by a vote of shareholders owning two-thirds of the stock of the national bank, the Federal Reserve Board has approved the proposed reduction in capital under the plan

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submitted, provided that, as recommended by the Comptroller, (1) no money be returned to stockholders, (2) the money for the new stock be on deposit in the bank in a special account before the reduction is effected, (3) the new stock be sold only to persons or concerns who have knowledge as to the present condition of the bank and the use to which the released capital and premium on the new stock are to be put, and (4) estimated losses totaling \$9,093.13, and depreciation of \$31,221.00 in bonds rated B-1 or lower, be charged off.

Reply approved.

Letter to the Federal Reserve Agent at Chicago, approved by five members of the Board on April 18, replying to Assistant Federal Reserve Agent Young's letter of April 4, 1932, which referred further to the condition of the Terre Haute Trust Company, Terre Haute, Indiana, and the assumption by that institution of the deposit liabilities of the Twelve Points State Bank of Terre Haute, Indiana, and acquisition of certain of its assets; the Board's letter stating that, in view of the problems remaining in the trust company, the Board will defer, until after the next examination, consideration of the question whether there has been any material change in the general character of the assets of, or broadening in the functions exercised by, the trust company as a result of its assumption of the deposit liabilities of the nonmember bank, and, in accordance with the Agent's recommendation, will take no action at this time affecting the membership of the trust company in the Federal Reserve System.

Letter approved.

Letter to the Federal Reserve Agent at Cleveland, approved by five members of the Board on April 18, referring to Assistant Federal Reserve Agent Fletcher's letter of April 8, 1932, inclosing the application for mem-

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bership in the Federal Reserve System of the Union Savings Bank and Trust Company of Steubenville, Ohio, which institution, since its suspension on October 2, 1931, has been in the hands of the Superintendent of Banks of Ohio; the Assistant Federal Reserve Agent stating that counsel for the Federal reserve bank is of the opinion that under the circumstances the applicant bank does not have power to make a proper application for membership or to become bound to respond to calls of the Federal Reserve Board for payment of stock in the Federal reserve bank. The reply stated that the Board has in some instances considered applications made on behalf of State banks which had not been authorized to commence business, and has approved such applications subject to a condition that the board of directors, at its first meeting, should adopt a resolution ratifying the action taken on behalf of the bank in making application for membership and in accepting the conditions of membership prescribed by the Board, and that it appears that this procedure could be followed in the present case if, in view of all the circumstances involved, it is desirable to admit the applicant bank to membership. The letter also stated that the application is being returned to the Federal Reserve Agent for the recommendation of his membership committee and requested that, if the application is resubmitted to the Board, certain additional information be furnished in connection therewith.

Letter approved.

Reply, approved by five members of the Board on April 19, to a letter dated April 14, 1932, from the Federal Reserve Agent at Philadelphia transmitting the request of the Merchants and Miners State Bank, Luzerne, Pennsylvania, for permission to withdraw immediately from membership in the Federal Reserve System under the voluntary notice of intention to withdraw

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filed by it under authority of a resolution adopted by the board of directors of the bank on April 11, 1932; the reply stating that in accordance with the Agent's recommendation, and in view of the fact that the business of the member bank has been transferred to the Luzerne National Bank without the former being placed in liquidation, the Board has voted to waive in this case the usual requirement of six months notice and to permit the member bank to withdraw from membership immediately.

Reply approved.

Reply, approved by five members of the Board on April 19, to a letter dated March 28, 1932, from the Federal Reserve Agent at Atlanta inclosing an analysis of the report of examination of the Citizens National Bank of Greenville, Tennessee, made on February 17, 1932, and recommending that, inasmuch as there has been no improvement in the general condition of the bank since the previous examination, action on the bank's application for full trust powers be again deferred; the reply stating that in view of the fact that this application has now been before the Board for approximately one and one-half years during which time the bank has failed to place itself in a condition which would warrant favorable action, the Federal Reserve Board is of the opinion that it would not be justified in giving the matter further consideration and that it has, therefore, denied the application. The reply also stated that in communicating the Board's action to the applicant bank, attention should be called to the fact that under the authority granted by the Board on February 13, 1931, the Citizens National Bank is authorized only to continue the administration of the specific trusts which were being carried by the Citizens Savings Bank on July 25, 1930, and that the national bank is

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not authorized to accept any new trust business.

Reply approved.

Letter to the Chairman of the Federal Reserve Bank of Atlanta, prepared in accordance with the action taken at the meeting on April 11, and approved by five members of the Board on April 18, stating that inasmuch as advances to member banks under Sections 10(a) and 10(b) of the Federal Reserve Act, including the rate of interest or discount to be charged, will be acted upon by the Federal Reserve Board in each case under the procedure outlined in the Board's letter of March 10, 1932, no affirmative action by the Board is believed to be necessary at this time on the rates of 5 1/2% established by the Board of Directors of the bank for advances under these sections. The reply also noted that the Executive Committee of the Federal Reserve Bank of Atlanta has been authorized, subject to the approval of the Federal Reserve Board, to make advances under Sections 10(a) and 10(b), and stated that in view of the requirement that advances under Section 10(a) be in such amount as the Board of Directors of the Federal reserve bank may determine, it is suggested that a maximum limit be placed by the Board of Directors upon the amount of any advance which may be made by the Executive Committee under that section, and that the action of the Committee in authorizing any such advance be submitted for ratification at the next subsequent meeting of the Board of Directors.

Reply approved.

Reply, approved by five members of the Board on April 18, to a letter dated March 15, 1932, from Assistant Secretary of the Treasury Lowman requesting that the Board prepare a report to the Chairman of the Committee

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on Banking and Currency of the Senate, for the signature of the Secretary of the Treasury, on Bill S. 4058, which would amend Section 13 of the Federal Reserve Act so as to authorize a Federal reserve bank to make advances to its member banks for a period not exceeding 15 days on their promissory notes secured by such first liens upon improved farm lands as are provided for in Section 24 of the Federal Reserve Act; the reply inclosing a draft of a letter to the Chairman of the Committee on Banking and Currency of the Senate outlining the reasons why, in the opinion of the Treasury Department and the Federal Reserve Board, the enactment of the proposed bill would not be beneficial.

Letters approved.

Reply, approved by five members of the Board on April 19, to a letter dated April 9, 1932, from the Assistant Secretary of the First Federal Foreign Banking Corporation inclosing a certificate of election of directors of the Corporation for the year commencing April 7, 1932; the reply requesting a certificate of the President or Cashier of the Corporation to the effect that each of the recently elected directors is a citizen of the United States, and suggesting, inasmuch as only eight directors were elected, and the amended articles of association of the Corporation provide that the board of directors shall consist of fifteen members, that consideration be given to the advisability of increasing the number of directors to fifteen, or of further amending the articles of association so as to make the number of directors therein provided for conform to the number actually elected.

Reply approved.

Letter dated April 18, 1932, from the Secretary of the Federal Advisory Council stating that the next meeting of the Council will be held



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in Washington on Tuesday, May 24, and requesting a list of the topics which the Board desires the Council to discuss at that meeting.

Noted.

Letter dated April 14, 1932, from the Governor of the Federal Reserve Bank of Richmond requesting, in accordance with the resolution adopted by the Board of Directors of the bank on that date, that the Board authorize the bank to pledge the direct obligations of the United States which are now owned or which may hereafter be acquired by the bank, as collateral security for its Federal reserve notes, under the provisions of Section 16 of the Federal Reserve Act, as amended. In this connection consideration was also given to a telegram just received from the Governor of the Richmond bank stating that, pending action by the Board on the bank's application for permission to pledge Government bonds as collateral for Federal reserve notes, the bank is unable to participate further in system open market purchases.

At the conclusion of a discussion, it was voted to defer action on the application, and the Secretary was instructed to advise the Governor of the Richmond bank accordingly.

Reports of Standing Committee dated April 19 and 20, 1932, 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. 2.</u>		
First National Bank & Trust Co., Highland Falls, N.Y. (V.L.Suc. by First National Bank in Highland Falls)	210	210
<u>District No. 3.</u>		
Picture Rocks National Bank, Picture Rocks, Pa. (V.L. Abs. by First National Bank, Hughesville, Pa.)	22	22
<u>District No. 4.</u>		
Commercial National Bank, Youngstown, Ohio. (V.L.Suc. by Union National Bank)	660	660

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 5.</u>		
First National Bank, Gloucester, Va. (V.L.Abs. by Bank of Gloucester)	33	33
<u>District No. 7.</u>		
American National Bank & Trust Co., Benton Harbor, Michigan. (Insolvent)	168	168
<u>District No. 9.</u>		
First National Bank, Portland, N. Dak. (V.L.Suc. by First and Farmers National Bank of)	27	
Farmers National Bank, Portland, N. Dak. (V.L.Suc. by First and Farmers National Bank)	<u>21</u>	48
<u>District No. 10.</u>		
First National Bank, Luray, Kansas. (Decrease in surplus)	18	
Waukomis National Bank, Waukomis, Okla. (V.L.Suc. by a new State bank)	<u>22</u>	40
<u>District No. 11.</u>		
Merchants National Bank, Brownsville, Texas. (Insolvent)	330	330
<u>District No. 12.</u>		
Security National Bank, Fairfield, Idaho. (Insolvent)	18	
Citizens First National Bank of The Dalles, The Dalles, Oregon. (Cons. First National Bank and Citizens National Bank)	71	
First National Bank in Chehalis, Wash. (V.L.Abs. by Coffman Dobson Bank and Trust Co.)	60	149
	<u>Total</u>	<u>1,660</u>

Approved.

Reports of Standing Committee dated April 16 and 20, 1932, recommending approval of the following Clayton Act applications:

Mr. William H. Johns for permission to serve at the same time as director of the Hibernia Trust Company of New York, N. Y., and as director of the National Bank of Bayside in New York, N. Y.

Mr. Justin Potter for permission to serve at the same time as director of the Broadway National Bank of Nashville, Tennessee, and as director of the Commerce Union Bank of Nashville, Tennessee.

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Mr. J. K. Beretta for permission to serve at the same time as director of the Fredericksburg National Bank of Fredericksburg, Texas, as director of the Laredo National Bank of Laredo, Texas, and as director and officer of the National Bank of Commerce of San Antonio, Texas.

Approved.

Thereupon the meeting adjourned.

Peter Mouil  
Secretary.

Approved:

Cupreche  
Governor.