

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, April 25, 1932, at 11:35 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 11, 12, and 13, 1932, were approved.

The Board then considered and acted upon the following matters:

Letter dated April 21 from the Secretary of the Federal Reserve Bank of New York, and telegrams dated April 20 from the Governor of the Federal Reserve Bank of Boston and the Chairman of the Federal Reserve Bank of Philadelphia, April 21 from the Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, and April 22 from the Chairman of the Federal Reserve Bank of Chicago, all 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.

Bond in the amount of \$50,000, executed on April 20, 1932, by Mr. Wm. C. Recknagel as Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, and approved by five members of the Board on April 23.

Bond approved.

Telegraphic reply, approved by five members of the Board on April 21, to a telegram dated April 20, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority to purchase from the First National Bank of Clifton, New Jersey, \$250,000 of tax warrants of the

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City of Clifton; the reply stating that the Board authorizes the purchase with the understanding that the amount is less than 25% of the total amount of warrants of the municipality outstanding, and that the warrants to be purchased meet all of the other requirements of Regulation E except that the net funded indebtedness of the municipality exceeds 10% of the total valuation of its taxable property.

Reply approved.

Reply, approved by five members of the Board on April 22, to a letter dated April 20, 1932, from the Chairman of the Federal Reserve Bank of Richmond advising that at the close of business on April 18, Deputy Governor Broaddus discontinued his service with the Reconstruction Finance Corporation and on April 19 resumed his duties as Deputy Governor of the Federal reserve bank on a full time basis; the reply noting with approval that beginning on the latter date the Federal reserve bank resumed the payment of Mr. Broaddus' regular salary at the rate of \$14,000 per annum.

Reply approved.

Reply to a letter dated April 20, 1932, from the Chairman of the Federal Reserve Bank of Minneapolis with regard to the arrangement made with the Reconstruction Finance Corporation, effective February 14, 1932, whereby the Corporation would reimburse the Federal reserve bank at the rate of \$4,000 per annum for the services rendered by Mr. R. E. Towle, Managing Director of the Helena Branch, as Manager of the Helena Agency of the Reconstruction Finance Corporation, the remainder of Mr. Towle's regular salary, which is at the rate of \$7,000 per annum, being absorbed by the bank; the reply stating that the Board approves the payment to Mr. Towle by the

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Federal Reserve Bank of Minneapolis of salary at the rate of \$3,000 per annum during the period of the arrangement with the Corporation, it being noted that because of a decrease in the volume of work at the Agency and in the proportion of Mr. Towle's time which will be devoted to the work of the Agency, a readjustment of the division of Mr. Towle's salary will probably be made at the end of the current month, which will be reported to the Board.

Reply approved.

Letter to the Chairmen of all Federal reserve banks, approved by the Committee on Salaries and Expenditures, requesting advice as to the arrangements in effect at the respective banks to take care of the custody and collection of paper, etc., for the Reconstruction Finance Corporation; the letter also suggesting that, if a separate unit is established at a Federal reserve bank or if new positions are created for the purpose of handling the work for the Corporation, provision be made therefor in the bank's personnel classification plan.

Letter approved.

Reply, approved by five members of the Board on April 22, to a letter dated April 15, 1932, from the Federal Reserve Agent at Minneapolis with further regard to the deficient reserve position of the Citizens National Bank of Wessington, South Dakota; the reply stating that in accordance with the Agent's recommendation, and in view of the fact that the bank has restored its reserves and has maintained the required balances during the first computation period in April, the Federal Reserve Board will take no action concerning the continuous deficiencies in the bank's reserve account during the period of seven and one-half months ending March 31, 1932, other than to forward a copy of the Agent's letter to the Comptroller of the

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Currency.

Reply approved.

Reply, approved by five members of the Board on April 22, to a letter dated April 13, 1932, from the Federal Reserve Agent at Kansas City reporting that the First National Bank in Gallup, New Mexico, was continuously deficient in its reserves during the six months period ending March 31, 1932; the reply stating that, in accordance with the Agent's recommendation, the Federal Reserve Board is taking no action at the present time with regard to the member bank's inadequate reserves, although it is requested that the Agent advise the Board as to the replies received from the president and directors of the bank in response to his letters to them, and, in the event that the deficiencies in reserves are not eliminated, that he submit a further report on the matter to the Board.

Reply approved.

Letter to the First Wayne National Bank of Detroit, Michigan, approved by five members of the Board on April 22, stating that the Federal Reserve Board has approved the application filed by the bank through the Federal Reserve Agent at Chicago for permission to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, 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 Michigan; 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.

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Letter to the First National Bank in Mamaroneck, New York, approved by five members of the Board on April 22, stating that the Federal Reserve Board has considered the application filed by the bank through the Federal Reserve Agent at New York for permission to exercise fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act, and has authorized the bank to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, 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 New York, only in the specific trusts in which the First National Bank and Trust Company of Mamaroneck had been appointed and was acting on January 15, 1932, and the specific trusts in which the Mamaroneck Trust Company had been appointed and was acting on January 16, 1932; the exercise of such rights to be subject to the provisions of the Federal Reserve Act and the Regulations of the Federal Reserve Board. The letter also stated that action has been deferred on the bank's application for full trust powers until after an examination of the First National Bank in Mamaroneck has been made.

Letter approved.

Letter to the Federal Reserve Agent at Cleveland, approved by five members of the Board on April 22, with regard to the desire of the Union National Bank, Cadiz, Ohio, to surrender its authority to exercise fiduciary powers, as evidenced by the certified copy of a resolution passed by the board of directors of the bank on March 23, 1932, inclosed with Assistant Federal Reserve Agent Fletcher's letter of March 26, and further referred to in his letter of April 15, 1932; the Board's letter stating that in accord-

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ance with the procedure prescribed by Regulation F, the Comptroller of the Currency is being requested to have one of his examiners make a special investigation of the trust department of the national bank upon the occasion of the next regular examination of that bank and to furnish a report upon the basis of which the Board may determine whether it may properly issue a certificate to the effect that the Union National Bank is no longer authorized to exercise trust powers.

Letter approved, as was a letter to the Comptroller of the Currency in accordance therewith, also approved by five members of the Board on April 22.

Reply, approved by five members of the Board on April 22, to a letter dated April 15, 1932, from the Federal Reserve Agent at Chicago, transmitting the request of the Security Bank of Chicago, Illinois, for permission to withdraw from membership in the Federal Reserve System immediately under the voluntary notice of intention to withdraw filed by it on April 8, 1932; the reply stating that in accordance with the Agent's recommendation, made in view of the fact that the Security Bank of Chicago does not hold assets of a nature which would be eligible for rediscount at the Federal reserve bank and desires to keep its reserve balance with a correspondent from which it has been receiving accommodation, 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.

Letter to the Federal Reserve Agent at New York, approved by five members of the Board on April 22, referring to his letter of March 18, 1932, with regard to the merger on December 10, 1931, of the Bank of Lafayette and

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the Ocean Avenue Bank, both nonmembers, into the New Jersey Title Guarantee and Trust Company, a member, all of Jersey City, New Jersey; the reply stating that it would appear from the information submitted that the action of the member bank in absorbing the two nonmember affiliates has not resulted in any material change in the general character of the assets of the former, or in the scope of the functions exercised by it, within the meaning of the general condition under which it 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.

Telegraphic reply, approved by five members of the Board on April 22, to a telegram dated April 20, 1932, from the Governor of the Federal Reserve Bank of Philadelphia inquiring whether a repurchase agreement with a member bank covering municipal warrants is the same as an indorsement of the warrants by the bank, or whether it is necessary to secure the approval of the Board where the amount of the warrants purchased under a repurchase agreement is more than 25% of the total amount of the outstanding warrants of the issuing municipality; the reply stating that, since it is understood that the effect of a repurchase agreement is to create an obligation to save the Federal reserve bank from any loss on account of the purchase of municipal warrants from a member bank, such agreement may be considered an indorsement of such warrants within the meaning of Section V(d) of the Board's Regulation E and the Board's letter of February 18, 1932, (X-7097).

Reply approved.

Replies, approved by five members of the Board on April 21, to letters dated March 10 and 11, 1932, from the Federal Reserve Agent at

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Dallas reporting that the First National Bank of Del Rio, Texas, the National Bank of Commerce, Amarillo, Texas, the Liberty National Bank, Waco, Texas, and the Public National Bank and Trust Company, Houston, Texas, have transferred their assets to other banking institutions and have ceased to do a banking business without going into voluntary liquidation or a receiver being appointed, and recommending in each case that the Comptroller of the Currency be requested to appoint a receiver for the bank in order that its stock in the Federal Reserve Bank of Dallas may be canceled; the Agent also suggesting that the Board give consideration to the amendment of Regulation I so that in cases of this kind the cancellation of Federal reserve bank stock may be effected without the national bank being placed in voluntary liquidation or in the hands of a receiver. The replies stated that the Federal Reserve Board has submitted to the Comptroller of the Currency, for such action as he deems advisable, the Agent's recommendations that receivers be appointed for the banks referred to, and also advised that under the provisions of the Federal Reserve Act national banks are required to become members of the Federal Reserve System and to subscribe for stock in a Federal reserve bank and the Act authorizes the termination of the membership of a national bank and the cancellation of its Federal reserve bank stock only when it is placed in voluntary liquidation or when a receiver is appointed for such bank; that the provisions of the Board's Regulation I are based on these provisions of law, and that in the circumstances the Board is without lawful authority to amend its Regulation in the manner suggested.

Replies approved, as were four letters to the Comptroller of the Currency, also approved by five members of the Board on April 21, referring to the Comptroller, for such action as

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he deems advisable, the Federal Reserve Agent's recommendations that receivers be appointed for the national banks above referred to.

Reply, approved by five members of the Board on April 22, to a letter addressed by Mr. J. K. Kent of Oklahoma City, Oklahoma, to the Comptroller of the Currency under date of March 16, 1932, and referred to the Federal Reserve Board for reply, requesting advice in connection with the provisions of the income tax law of the State of Oklahoma, as to whether employees of a Federal reserve bank are employees of the United States Government; the reply answering the inquiry in the negative, but stating that the question whether employees of a Federal reserve bank come within an exemption contained in provisions of a state statute is one to be considered primarily by state authorities having charge of the enforcement of the state statute, and the Federal Reserve Board cannot undertake to pass upon that question.

Reply approved.

Mr. Miller then referred to the fact that of the \$93,000,000 of Government securities which were purchased for System account during the week ending April 20, \$24,945,000 were Fourth Liberty Loan Bonds maturing in 1938, and he stated that in his opinion the proportion of long time Government securities now held in the System account is too large, and that consideration should be given to the advisability of exchanging some of these for Government securities of shorter maturities.

During the discussion which followed other members of the Board concurred in Mr. Miller's opinion, and the Governor was requested to take the matter up with the Chairman of the Open Market Policy Conference.

The Governor then reported that in a telephone conversation with Governor Calkins of the San Francisco bank, Chairman of the Governors'

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Conference, the latter had inquired whether the Federal Reserve Board would have any objection to the appointment of a committee of Governors of Federal reserve banks to consider legislation affecting the Federal Reserve System.

The Governor was requested to advise Governor Calkins that if any Federal reserve bank desires to select representatives or participate in the formation of a committee of representatives of Federal reserve banks to consider pending matters of legislation affecting the System, the Board will interpose no objection.

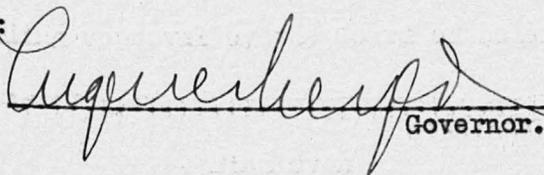
Reports of Standing Committee dated April 22, 1932, recommending approval of the following changes in stock at Federal reserve banks:

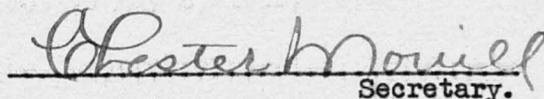
<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
Franklin Bank of Franklin, W. Va. (Insolvent)	36	
Farmers Bank of Pendleton, Franklin, W. Va. (Insolvent)	<u>60</u>	96
<u>District No. 6.</u>		
First National Bank, Elton, La. (Decrease in surplus)	2	2
<u>District No. 7.</u>		
First State Bank, Barrington, Ill. (Insolvent)	90	90
<u>District No. 12.</u>		
Fremont County Bank, Sugar City, Idaho. (Insolvent)	<u>18</u>	<u>18</u>
	<u>Total</u>	<u>206</u>

Approved.

Thereupon the meeting adjourned.

Approved:

  
Governor.

  
Secretary.