

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, May 6, 1932, at 12:00 o'clock noon.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Goldenweiser, Director, Division of
Research and Statistics
Mr. Smead, Chief, Division of Bank Operations
Mr. Wyatt, General Counsel.

Reference was made to Governor Meyer's statement at the hearing held on April 14, 1932, before the sub-committee of the Committee on Banking and Currency of the House of Representatives on H. R. 10517, a bill known as the Goldsborough bill, for increasing and stabilizing the price level of commodities. Mr. James expressed the opinion that it would be of value if a record were made in order to clarify the position of the Board with regard to the proposal contained in the bill, and he moved that the Board approve and indorse the position taken by the governor in his statement before the committee.

Motion carried.

The Board then considered and acted on the following matters:

Letter dated May 5, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated May 4, 1932, from the Governor of the Federal Reserve Bank of Boston and the Chairman of the Federal Reserve Bank of St. Louis, and May 5, 1932, from the Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, 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.

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Without objection, noted with approval.

Memorandum dated May 6, 1932, from the Secretary stating that Mr. Magee wishes to increase the salary of his secretary, Mr. A. M. Stone, from \$2,900 to \$3,000 per annum, effective May 16, 1932, the first anniversary of his employment in Mr. Magee's office.

Increased salary approved.

Telegram to the governors and Federal reserve agents at all Federal reserve banks, approved by six members of the Board on May 5, stating that, the margin between (a) total cash reserves and eligible paper and (b) the amount of Federal reserve notes in circulation and the minimum 35% reserve required against deposits having declined on May 3, 1932, to \$386,710,000 for the twelve Federal reserve banks, the Federal Reserve Board authorizes each Federal reserve bank to offer and the Federal reserve agent at each such bank to accept as collateral security for Federal reserve notes direct obligations of the United States in the circumstances and under the conditions and limitations outlined in the Board's letter of May 2, 1932.

Telegram approved.

Telegraphic reply, approved by five members of the Board on May 5, to a telegram of that date from Deputy Governor Zurlinden of the Federal Reserve Bank of Cleveland recommending approval of the application of the National Bank of Commerce, Lorain, Ohio, for a renewal of the advance in the amount of \$125,000 made by the Federal reserve bank in accordance with the provisions of section 10(b) of the Federal Reserve Act, under the authority granted by the Board on April 5, 1932; the reply stating that the Board authorizes the renewal for a period of thirty days, at a rate of 5 1/2% per annum.

Unanimously approved.

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Telegram dated May 6, 1932, from the Governor of the Federal Reserve Bank of Boston requesting authority to make advances in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Quincy Trust Company, Quincy, Massachusetts, in amounts aggregating not more than \$250,000 at a rate of 5 1/2% per annum, payable on demand, and secured by collateral consisting of marketable stocks and ineligible customers' notes; the telegram stating that the trust company has lost deposits on practically every occasion when a nearby institution closed but has displayed some recuperative powers, that rumors are affecting the bank at the present time, but it is hopeful that with the assistance it can get from the Federal reserve bank and the Reconstruction Finance Corporation, it will be able to turn the tide. The telegram further stated that advances will be made only in such amounts as the officers of the reserve bank feel will be adequately and safely secured.

After discussion, upon the unanimous vote of the members present, the Secretary was instructed to advise the Governor of the Federal Reserve Bank of Boston that the Federal Reserve Board authorizes advances to the member bank during a period of two weeks in amounts up to the aggregate of \$250,000 at a rate of 5 1/2% per annum, payable on demand, and that the Board will consider an application for an extension of the period for making such advances if in the opinion of the executive committee of the Federal reserve bank such extension is necessary.

Telegraphic reply to a telegram dated May 5, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting approval by the Board of the purchase from the First National Bank, East Rochester, New York, of a tax note of the Village of East Rochester, in the amount of \$15,000; the reply stating that the Board authorizes the purchase with the understanding that the note meets all requirements of Regulation E except

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as to the population of the issuing municipality and that the amount of the note offered exceeds 25% of the total outstanding warrants of the municipality.

Reply approved.

Memorandum from Assistant Secretary McClelland recommending approval by the Board of changes requested by the Federal Reserve Bank of Minneapolis in the interdistrict time schedule from Minneapolis to New York from 3 days to 2 days and from Minneapolis to Helena from 2 days to 3 days; the memorandum stating that the suggested change between Minneapolis and New York is agreeable to the Federal Reserve Bank of New York.

The changes were approved, as was a letter to the governors of all Federal reserve banks advising of such changes.

Letter to the Federal Reserve Agent at Philadelphia stating that the Board has approved the recommendation contained in his letter of April 26, 1932, and will take no action with regard to the continuous deficiencies, during the six months period ending April 15, 1932, in the reserves of the Palmyra National Bank, Palmyra, New Jersey, pending receipt of a further report concerning the matter, but that if the bank's reserves are not promptly and fully restored to the amount required by law or if there should be any further evidence that the bank is not paying due regard to the maintenance of its reserves, the agent should consider the advisability of addressing a letter to each director of the bank in accordance with section IV(b) of regulation D. The letter also stated that a copy of the agent's letter and a copy of the Board's reply are being sent to the Comptroller of the Currency for the information of his office.

Letter approved.

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Replies, approved by five members of the Board on May 4, to letters dated April 21, 1932, from the Federal Reserve Agent at St. Louis reporting that the Greenfield Bank, Greenfield, Tennessee, and the First National Bank of Huntingburg, Indiana, had been deficient in their required reserves for more than six consecutive months; the replies stating that, in view of the circumstances outlined and in accordance with the Federal reserve agent's recommendations, the Federal Reserve Board is taking no action with regard to the unsatisfactory reserve positions of the member banks, but that a copy of the agent's letter with regard to the national bank is being forwarded to the Comptroller of the Currency for the information of his office.

Replies approved.

Reply to a letter dated April 21, 1932, from the Federal Reserve Agent at St. Louis reporting continuous deficiencies during the period of six and one-half months ending March 31, 1932, in the required reserves of the First National Bank of DuQuoin, Illinois; the reply stating that in accordance with the Federal reserve agent's recommendation the Board is taking no action in the matter other than to forward a copy of his letter to the Comptroller of the Currency for his information.

Reply approved.

Letter to the Federal Reserve Agent at Richmond referring to the analysis received by the Board of the report of examination of the Maryland Trust Company of Baltimore, Maryland, as of January 11, 1932, in which it is reported that the trust company was carrying on that date 1,493 shares of its own stock through ownership of the Securities Corporation of New England, and requesting that, inasmuch as it appears that the holding of

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this stock is at least contrary to the spirit and purpose, if not a violation, of the law, that the Federal reserve agent call the matter to the attention of the trust company with the request that it make arrangements to correct the situation within a reasonable time. The letter also referred to the statement contained in the analysis of report of examination that the trust company has two loans which are secured by its own stock, and requested that the agent obtain information as to whether such security was taken to prevent a loss on debts previously contracted and as to what steps are contemplated by the trust company to eliminate such stock.

Letter approved.

Letter to the Federal Reserve Agent at St. Louis referring to his letter of April 20, 1932, submitting information in connection with the transaction by which the First Trust and Savings Bank, Harrisburg, Illinois, a member, on February 13, 1932, acquired the assets and assumed the liabilities of the Equality State Bank, Equality, Illinois, a nonmember; the reply 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 First Trust and Savings Bank or broadening in 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, in accordance with the agent's recommendation, will interpose no objection to the transaction.

Letter approved.

Letter to the Federal Reserve Agent at Dallas, approved by five members of the Board on May 3, referring to his letters of March 19 and April 8, 1932, with regard to the proceedings which were instituted by the

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Board to determine whether the membership in the Federal Reserve System of the Forney State Bank, Forney, Texas, should be terminated; the Board's letter stating that in accordance with the recommendation of the board of directors of the Federal Reserve Bank of Dallas made in view of the corrective steps which have been taken by the member bank, the Federal Reserve Board has deferred action on the matter, and inclosing a copy of a letter to the Forney State Bank, also approved by five members of the Board on May 3, advising that the Board has deferred making a final decision on the question whether the membership of the bank should be terminated in order that the bank might have an opportunity to demonstrate its ability to comply with the provisions of the Federal Reserve Act and the Board's regulations. The letter to the Federal reserve agent also requested that upon receipt of a copy of the report of the next examination of the member bank, he furnish the Board with a recommendation of his board of directors as to the action which should be taken by the Federal Reserve Board.

Letters to the Federal reserve agent and the Forney State Bank approved.

Letter to the Farmers and Mechanics-National Bank of Phoenixville, Pennsylvania, stating that the Federal Reserve Board has approved the application filed by the bank through the Federal Reserve Agent at Philadelphia 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 Pennsylvania, the

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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.

Letter to Mr. John U. Calkins, as Chairman of the Governors' Conference, stating that certain phases of the acceptance practice which has grown up under the Federal Reserve Act have been made the subject of comment in recent years and occasionally of criticism, that the report which was submitted on behalf of the Committee on Banking and Currency of the Senate regarding S. 4415 devotes a paragraph to "The Growth of Acceptance Credit", which contains a number of such criticisms, and that the Board feels that certain of these criticisms may have pertinency and that it would be helpful to make a thorough and discriminating study of American acceptance practice and its development, particularly as influenced by the more liberal attitude adopted by the Federal Reserve System in recent years and reflected both in the rulings and regulations of the Federal Reserve Board and in the operating practices of the Federal reserve banks. The letter suggested that a committee be set up to begin an investigation at an appropriate time along the lines indicated and to make recommendations for such correction of procedure and/or revision of the Board's rulings and regulations as may be found necessary or desirable, and that such a committee might be either a committee of the Federal reserve banks alone or a joint committee representing both the banks and the Federal Reserve Board. The letter also stated that it would be appreciated if Governor Calkins would consider this matter and let the Board have the benefit of his suggestions, made after consultation with the governors of other Federal reserve banks should he so prefer,

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including his views as to the personnel of such a committee so far as it involves representation of the Federal reserve banks.

Letter approved.

Reply, approved by five members of the Board on May 4, to a letter dated March 22, 1932, from the Federal Reserve Agent at Boston with which he inclosed copies of the laws of Massachusetts under which the "Mutual Savings Central Fund, Inc.", and the "Cooperative Central Bank" were organized and requesting a ruling by the Board on the question whether deposits made by these institutions and by the "National Credit Association No. 4 of the First Federal Reserve District", which was organized in substantial accordance with the articles of agreement suggested for such associations by the National Credit Corporation, may properly be classified by a member bank, for purposes of computing reserves, as amounts due to other banks; the reply stating that, after consideration of the nature of each of these institutions, it is the opinion of the Board that they may not properly be considered as being banks within the meaning of the eighth paragraph of section 19 of the Federal Reserve Act, and that deposits made by such institutions in a member bank may not properly be classified by it as amounts due to banks in computing its reserves.

Reply approved.

Reports of Standing Committee dated May 4 and 6, 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, Bradley Beach, N. J. (Insolvent)	60
Sandy Hill National Bank, Hudson Falls, N. Y. (Decrease in surplus)	60

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 2. (Cont'd)</u>		
First National Bank, Islip, N. Y. (Decrease in surplus)	30	
Washington National Bank, New York, N. Y. (V.L.Terminal)	<u>315</u>	465
 <u>District No. 4.</u>		
Homer City National Bank, Homer City, Pa. (Decrease in surplus)	19	19
 <u>District No. 5.</u>		
First National Bank, Lonaconing, Md. (Insolvent)	33	
Flat Top National Bank, Bluefield, W. Va. (Cons. Bluefield National Bank and Flat Top National Bank, under the above title)	<u>240</u>	273
 <u>District No. 7.</u>		
First National Bank, Blandinsville, Ill. (V.L.Suc. by First National Bank in Blandinsville)	24	
Commercial National Bank, Rockford, Ill. (V.L.Abs. by Third National Bank)	<u>150</u>	174
 <u>District No. 12.</u>		
First National Bank, Indio, Calif. (V.L.Abs. by First National Bank of Coachella, Calif.)	<u>32</u>	32
	<u>Total</u>	<u>963</u>

Approved.

Reports of Standing Committee dated April 30 and May 2, 1932,
recommending approval of the following Clayton Act applications:

Mr. Fred Herrigel, Jr., for permission to serve at the same time as director of the Lincoln National Bank of Newark, New Jersey, and as director of the North Arlington National Bank of North Arlington, New Jersey.

Mr. Harry Flood Byrd, for permission to serve at the same time as director of the First and Merchants National Bank of Richmond, Virginia, and as director of the Farmers and Merchants National Bank and Trust Company of Winchester, Virginia.

Mr. W. E. Tomlinson, for permission to serve at the same time as director and officer of the Unaka and City National Bank of Johnson City, Tennessee, and as officer of the Hamilton National Bank of Chattanooga, Tennessee.

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Mr. Tucker Royall, for permission to serve at the same time as director of the First National Bank in Dallas, Dallas, Texas, and as director and officer of the Royall National Bank of Palestine, Texas.

Mr. Hugh Halsell, for permission to serve at the same time as director of the First National Bank in Dallas, Dallas, Texas, and as director and officer of the Durant National Bank in Durant, Durant, Oklahoma.

Approved.

Thereupon the meeting adjourned.

O. Esterhuysen
Secretary.

Approved:

C. C. Coker
Governor.