

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 12, 1932, at 11:30 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

Mr. Wyatt, General Counsel.

Assistant Secretary McClelland reported that advice has been received from the governors of all Federal reserve banks, with the exception of Governor Hamilton of the Federal Reserve Bank of Kansas City, that they will be in attendance at the meeting of the Open Market Policy Conference to be held in Washington on May 17; Governor Hamilton advising that critical illness in his family will prevent his attendance, but that Deputy Governor Worthington will represent the Kansas City bank.

The Board then considered and acted upon the following matters:

Telegrams dated May 9, 1932, from the Chairman of the Federal Reserve Bank of Minneapolis, and May 12, 1932, from the Chairman of the Federal Reserve Bank of Richmond, both advising that, at meetings of their 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.

Letter dated May 7, 1932, from the Comptroller of the Currency recommending approval by the Board of an increase in the salary of National Bank Examiner B. J. Bleakley from \$5,500 to \$6,500 per annum.

Increased salary approved.

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Letter dated May 6, 1932, from Deputy Governor Crane of the Federal Reserve Bank of New York reporting that on that date the bank made a further reduction of \$1,000,000 in its deposit with the Bank for International Settlements, leaving a balance of approximately \$4,000,000 on deposit at sight and about \$2,000,000 invested in bills.

Noted.

Telegram to Deputy Governor Rounds of the Federal Reserve Bank of New York, approved by five members of the Board on May 11, referring to his telegram of that date, and stating that the Board amends the authority granted to the Federal reserve bank on May 10, 1932, and communicated in a telegram approved by five members of the Board on that date, to cover the purchase from the Carlstadt National Bank, Carlstadt, New Jersey, of \$35,000 of tax notes of the Borough of Carlstadt, instead of \$25,000 of such notes as requested in Deputy Governor Rounds' telegram of May 10, it being understood that the notes meet all requirements of Regulation E except that the population of the issuing municipality is less than 10,000 and the amount offered exceeds 25% of the total outstanding warrants of the municipality.

Telegrams approved.

Reply to a letter dated May 7, 1932, from the Federal Reserve Agent at Atlanta reporting that the First National Bank of Sevierville, Tennessee, has been continuously deficient in its required reserves for more than six consecutive months, and inclosing copy of a letter received from the directors of the bank under date of May 3, 1932, stating that the bank expects to build up its reserve to the required amount by May 15, 1932; the reply stating

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that, in view of this advice from the board of directors of the bank and the recommendation contained in the agent's letter, the Federal Reserve Board is taking no action at this time with regard to the bank's unsatisfactory reserve position other than to forward a copy of his letter to the Comptroller of the Currency.

Reply approved.

Letter to the Moore State Bank, Llano, Texas, stating that the Federal Reserve Board has approved the bank's application for membership in the Federal Reserve System and for 45 shares of the capital stock of the Federal Reserve Bank of Dallas, subject to certain conditions set forth in the letter.

Application and letter approved.

Letter to The First National Bank of Windsor, Colorado, approved by five members of the Board on May 10, 1932, stating that the Federal Reserve Board has approved the application filed by the bank through the Federal Reserve Agent at Kansas City 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.

Telegraphic reply to a wire dated May 9, 1932, from the Federal Reserve Agent at San Francisco with regard to the proposed action of the Valley Bank and Trust Company of Phoenix, Arizona, in closing three of its branches, transferring the business of one to the head office and the business of the other two to existing branches, and inquiring whether the



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member bank may move an existing branch about ten miles to another town in which it does not have a branch at the present time; the reply stating that the closing of branches and transferring the business of such branches to a member bank's head office or to other branches lawfully established prior to February 25, 1927, would not affect the bank's membership or require the permission of the Federal Reserve Board, but that the removal of a branch to another town in which the bank at present has no branch, would, in the Board's opinion, constitute establishment of a branch in such other town with- in the meaning of section 9 of the Federal Reserve Act which would make un- lawful the continuance of the bank's membership in the Federal Reserve System, and that the Board has no authority to grant permission to a State bank to establish such a branch.

Reply approved.

Letter to the Federal Reserve Agent at New York, approved by five members of the Board on May 10, referring to his reply of April 15, to the Board's letter of March 24, 1932, with regard to the unsatisfactory con- dition of the Rahway Trust Company, Rahway, New Jersey, as disclosed by the analysis of the report of examination of the trust company as of December 16, 1931; and stating that the nature of the agent's reply indicates that he has misunderstood the Board's letter of March 24 and the policy which the Board is pursuing in this and similar cases. The Board's letter pointed out that the Federal Reserve Board is fully aware of the problems confronting the Federal reserve agents and banking authorities at this time in obtaining correction of unsatisfactory conditions in banks and nothing it has said would justify any implication that it has suggested a

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policy of expulsion of State banks from membership in the Federal Reserve System but that the existing economic conditions and the fact that many banks are in an unsatisfactory condition would not seem to present any valid reasons why a Federal reserve agent should not take all reasonably possible steps to obtain correction of an unsatisfactory condition existing in any particular State member bank. The letter also outlined the policy and procedure which the Board believes should be followed by the Federal reserve agent in obtaining correction of unsatisfactory conditions in State member banks, and suggested that, in the event he has not conferred with the State banking authorities or the board of directors of the trust company with a view to determining the possibilities for obtaining an improvement in the condition of the trust company both through the further conservation of its earnings and otherwise, the agent consider the advisability of doing so at this time.

Letter approved.

Mr. Hamlin then presented a letter addressed to him under date of May 4, 1932, by the Chairman of the Federal Reserve Bank of Richmond stating that at the last meeting of the board of directors of the bank the officers were requested to prepare a report on salaries of officers and employees of the bank, accompanied by such recommendations for adjustments as they may consider in line with the existing economic situation; the chairman also inquiring whether the view of the Federal Reserve Board, as expressed in its letter of December 23, 1931, with regard to the question of adjustment of salaries, has been modified.

Action deferred pending discussion of the matter with the governors of Federal reserve banks who are to be in Washington next week.



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Consideration was then given to a telegram just received from the Governor of the Federal Reserve Bank of Boston requesting an extension to May 19, 1932, of the authority granted by the Board on April 29, 1932, for the making of advances by the Federal Reserve Bank of Boston under the provisions of section 10(b) of the Federal Reserve Act to the United States Trust Company of Boston; the telegram stating that advances totaling \$475,000 have been made to the trust company and that in the opinion of the executive committee of the Federal reserve bank an extension of the authority granted by the Board is necessary.

The Secretary was requested to advise the Governor of the Federal Reserve Bank of Boston that the Board extends to May 19, 1932, the authority granted on April 29, 1932, and communicated in its telegram of that date.

Reports of Standing Committee dated May 10 and 12, 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. 12.</u>		
First Savings & Trust Bank, Colfax, Washington.	16	
Citizens Security National Bank, Everett, Wash.	<u>1</u>	17
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u>		
First National Bank, Russell, Ky. (V.L.Suc. by First and Peoples Bank of Russell)	54	54
<u>District No. 5.</u>		
Planters National Bank, Fredericksburg, Va. (V.L. Suc. by Planters National Bank in Fredericksburg)	84	84
<u>District No. 6.</u>		
First National Bank, Statesboro, Ga. (V.L.Abs. by Bank of Statesboro)	138	138
<u>District No. 7.</u>		
Peoples State Bank, Flushing, Mich. (Insolvent)	30	
State Savings Bank, Ionia, Mich. (Insolvent)	<u>120</u>	150

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>		<u>Shares</u>	
<u>District No. 9.</u>			
First National Bank, Saint Thomas, N. Dak. (Insolvent)	23		23
<u>District No. 10.</u>			
First National Bank, Brinkman, Okla. (V.L.Abs. by First National Bank of Mangum, Okla.)	17		
First National Bank, Cherokee, Kans. (Insolvent)	<u>18</u>		35
<u>District No. 11.</u>			
First National Bank, Millsap, Texas. (V.L.Terminal)	18		
Blanco National Bank, Blanco, Texas. (Decrease in surplus)	7		
First National Bank, Sylvester, Texas. (Decrease in surplus)	6		
First National Bank, Santa Rosa, New Mexico. (Decrease in surplus)	<u>6</u>		37
<u>District No. 12.</u>			
Enterprise State Bank, Enterprise, Oregon. (V.L.Abs. by Wallowa National Bank)	47		47
	<u>Total</u>		<u>568</u>

Approved.

Reports of Standing Committee dated May 10, 1932, recommending  
approval of the following Clayton Act applications:

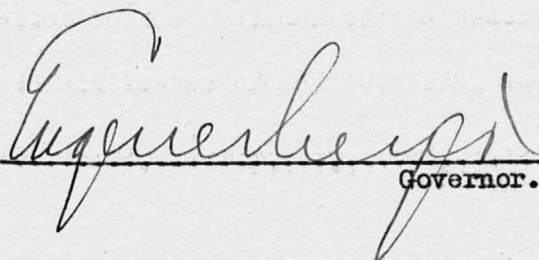
Mr. M. J. Martin for permission to serve at the same time  
as director of the First National Bank of Scranton, Pennsylvania,  
and as director of the First National Bank of Moscow, Pennsylvania.

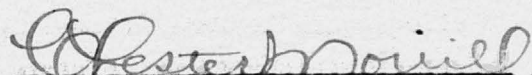
Mr. Robert Strickland, Jr., for permission to serve at the  
same time as director and officer of the First National Bank of  
Atlanta, Georgia, and as director of the First National Bank and  
Trust Company in Macon, Macon, Georgia.

Approved.

Thereupon the meeting adjourned.

Approved:

  
Governor.

  
Secretary.