A meeting of the Federal Reserve Board was held on Friday, May 20, 1932, at 10:55 a. m.

PRESENT: Mr. Miller, Presiding
Mr. Hamlin
Mr. James
Mr. Magee
Mr. Pole
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 May 9 and 12, 1932, were approved.

The Board then considered and acted upon the following matters:

Letter dated May 19, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated May 18, 1932, from Deputy Governor Paddock of the Federal Reserve Bank of Boston, and the Chairmen of the Federal Reserve Banks of St. Louis and Kansas City, and May 19, 1932, from the Chairman of the Federal Reserve Bank of 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.

Without objection, noted with approval.

Letters to the Comptroller of the Currency, approved by five members of the Board on May 19, advising of approval by the Board of salaries at the rate of $3,000 per annum each for Messrs. John C. Brogan and George W. Nielson, national bank examiners assigned to the Second Federal Reserve District.

Approved.

Telegraphic replies, approved by five members of the Board on May 19, 1932, to telegrams of that date from Deputy Governor Paddock of the
Federal Reserve Bank of Boston requesting extensions to June 2, 1932, of
the authorizations previously given by the Board to the Federal Reserve Bank
of Boston for the making of advances in accordance with the provisions of
section 10(b) of the Federal Reserve Act, as amended, to the Quincy Trust
Company, Quincy, Massachusetts, and the United States Trust Company, Boston,
Massachusetts, in amounts not exceeding $250,000 and $2,000,000, respectively
at a rate of 5 1/2% per annum, and payable on demand; the replies stating
that the Board extends the authority as requested.

Replies unanimously approved.

Telegraphic reply, approved by five members of the Board on May 18,
to a letter dated May 18, 1932, from Governor McKinney of the Federal Re-
serve Bank of Dallas who was in Washington on that date, requesting authority
for an advance by the Federal Reserve Bank of Dallas under the provisions
of section 10(b) of the Federal Reserve Act as amended, to the First National
Bank of Port Arthur, Texas, in the amount of $500,000 for a period of sixty
days at a rate of 5 1/2% per annum and on the security of not less than
$750,000 face amount of receivables collateralized for the major part by
listed stocks and bonds; the advance being desired to assist in meeting a
run in progress against the bank. The reply stated that the Federal Reserve
Board authorizes the advance subject to the terms and conditions recommended.

Reply unanimously approved.

Letter to the President of The Chase Bank, New York City, New York,
approved by five members of the Board on May 18, 1932, transmitting two
copies of the report of examination of the Hongkong branch of the bank, made
for the Federal Reserve Board as at the close of business on January 22,
1932, and requesting that the report be brought to the attention of the board of directors and after it has had a reasonable time to consider the report that the Federal Reserve Board be furnished with the directors' comments on the suggestions and criticisms made by the examiner.

Letter approved.

Letter to the Federal Reserve Agent at San Francisco, approved by five members of the Board on May 16, referring to Assistant Federal Reserve Agent Sargent's letter of April 26, 1932, submitting additional information concerning the transaction by which the Dallas City Bank, Dallas, Oregon, a member, on November 30, 1931, acquired the assets and assumed certain liabilities of the Bank of Falls City, Oregon, a nonmember; the reply stating that it does not appear from the information submitted that the transaction has resulted in any material change in the general character of the assets of the member bank or broadening in the functions exercised by it within the meaning of the general condition under which the bank was admitted to membership, 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 Chicago, approved by five members of the Board on May 18, referring to Assistant Federal Reserve Agent Young's letter of April 23, 1932, submitting information with regard to the absorption on April 4, 1932, of the Dundee State Savings Bank, Dundee, Michigan, a nonmember, by the Monroe County Bank, Dundee, Michigan, a member; the reply stating that the Board will defer, until after the next examination
of the member bank, its consideration of the question as to whether the
transaction has resulted in any change in the general character of the
assets of the Monroe County Bank, 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.

Letter approved.

Letter to the Federal Reserve Agent at New York, approved by four
members of the Board on May 19, 1932, referring to the application filed
by Mr. Cornelius Vanderbilt for permission to serve, under the provisions
of the Clayton Antitrust Act, as a director of The Chase National Bank of
the City of New York and as a director of the Central Hanover Bank and
Trust Company of New York City; the reply stating that because of the con-
solidation with the two banks referred to or other banks which Mr. Vander-
bilt had previously been authorized to serve, it is not necessary for him
to obtain a new permit from the Federal Reserve Board covering his service
of The Chase National Bank and Central Hanover Bank and Trust Company.
The letter also stated that in cases of this kind, however, the Board de-
sires the Federal reserve agent to consider, and report to the Board with
a recommendation, whether or not the situation existing as a result of
the consolidations has so affected the question of competition between
the banks covered by the Board’s permit, or the public interest, as to
make advisable the revocation of the permit formerly issued, and requested
that the agent give the Board a detailed report as to the effect of the
consolidations referred to on competition between the banks covered by
Mr. Vanderbilt’s permit, whether these consolidations have resulted in any
restriction of credit or stifling of competition between such banks, whether Mr. Vanderbilt’s service of the banks has in any way resulted in a restriction of credit or stifling of credit between the banks, and whether or not, in view of all the circumstances involved, the public interest requires the revocation of the permit heretofore granted to Mr. Vanderbilt or the permits which may be held by any other directors, officers or employees serving both The Chase National Bank and the Central Hanover Bank and Trust Company.

Letter approved.

Letter to the Assistant Cashier of the Larchmont National Bank and Trust Company, Larchmont, New York, approved by five members of the Board on May 18, replying to his inquiry of May 9, 1932, as to whether bonds and mortgages on real estate situated in the State of New York may be deposited by the bank in its trust department as collateral security for trust funds deposited in its commercial and savings department; the Board’s letter referring to the requirement of Regulation F that the securities delivered to the trust department for such purpose must in every instance be readily marketable securities, and stating that real estate mortgages or bonds secured by such mortgages, in the opinion of the Federal Reserve Board, are not readily marketable securities except when they comply with the conditions of marketability prescribed by the Comptroller of the Currency in his regulation defining the term "investment securities", that the usual real estate first mortgage loan does not comply with these requirements and that, accordingly, such loans may not ordinarily be used in the manner referred to, even though they may be eligible for the invest-
ment of trust funds under the provisions of a State law.

Letter approved.

Telegraphic reply, approved by the members of the executive committee of the Board on May 19, to a telegram dated May 18, 1932, from the Federal Reserve Agent at Chicago inquiring as to the status of the membership of certain member banks in Michigan for which custodians have been appointed under the laws of that state; the reply stating that the membership of a bank in the Federal Reserve System does not automatically terminate on the date of appointment of a receiver but only if and when cancellation of its Federal reserve bank stock is effected, that, if the bank reopens before this is done, its membership continues and the Board does not object to continued membership if reopening is effected within a reasonable time, unless the bank has committed such violations of the law, the Board's regulations or the bank's conditions of membership as to make advisable expulsion from the Federal Reserve System under the provisions of the Federal Reserve Act. The telegram also stated that if, in any of the cases to which the agent refers, application for cancellation of Federal reserve bank stock is not made within six months after the appointment of a custodian pursuant to the provisions of Section II(b) of Regulation I, and the bank is not reopened, the Federal reserve agent should give the Board a detailed report of the circumstances and a recommendation as to whether the Federal reserve bank stock held by the bank should be cancelled. The telegram further stated that, in a case where a bank is reorganized without cancellation of its Federal reserve bank stock, the agent should obtain specific advice from the State banking auth-
orities as to whether the bank reopened under its present charter or whether the reorganization resulted in any change in the corporate existence which might affect its membership in the Federal Reserve System and that report should be made to the Board of advice received on this point in each case.

Reply approved.

Letter to the Governor of the Federal Reserve Bank of New York, approved by five members of the Board on May 18, replying to his letter of May 12, 1932, stating that at a meeting of the board of directors of the bank on that date, it was voted, subject to the approval of the Federal Reserve Board, to authorize the officers of the bank to arrange for the renewal of its participation of approximately $22,500,000 in the credit to the Reichsbank which expires on June 4, 1932, for a period not exceeding three months from that date on the same terms and conditions as are agreed to by the other participants in the credit; the directors having also instructed the officers to inform the Bank for International Settlements that the preference of the Federal Reserve Bank of New York is for a rate of 5% for the renewal of the credit which is the present discount rate of the Reichsbank. The reply stated that the Federal Reserve Board will interpose no objection to the action contemplated by the directors of the New York bank, assuming that the New York bank does not have in contemplation any other changes in the terms and conditions of the credit, and requested that the Board be advised as to the rate at which the credit will be renewed.

Reply approved.
5/20/32

Memorandum dated May 11, 1932, from the Chief of the Division of Bank Operations, approved by five members of the Board on May 17, setting forth proposed changes in the member bank call report form 105, to include in that form a new schedule of the assets pledged, rediscounted, loaned or sold under repurchase agreement by the reporting member bank, and to provide in schedule H of the form for the reporting of bills payable and rediscounts with the Reconstruction Finance Corporation.

Approved.

Letter to the Chairmen of all Federal reserve banks, approved by five members of the Board on May 19, 1932, stating that, after careful consideration of the Chairmen's replies to the Board's letter of November 27, 1931, (X-7036), the Board suggests the adoption, in all elections of Federal reserve bank directors commencing with the next regular annual election, of a procedure which would provide that copies of the list of candidates nominated in accordance with the existing procedure be mailed by the chairman of each Federal reserve bank on such days and at such times that, in the normal course of the mails, every voting member bank in the district will receive a copy on the date fixed for the opening of the polls; that the polls be closed on the fifteenth calendar day after the date of their opening; that no ballot be counted as valid unless it has been received by the chairman on or before the date thus fixed for the closing of the polls, and that, as under existing practice, the requirement that a ballot be received by the chairman within the period stated in order to be counted as valid, be called to the attention of the member banks in the instructions sent to them regarding the election. The letter also stated that, inasmuch
as the law places the conduct of elections of class A and class B directors under the direction of the chairman of the board of directors of each Federal reserve bank, the Federal Reserve Board will not hereafter fix or approve the date for the opening or closing of the polls in either annual or special elections, but that it is suggested that some convenient date in the early part of November of each year be selected for the opening of the polls in annual elections; that it would seem advisable in each case that the time of the election should be so arranged that neither the date for the opening nor the date for the closing of the polls will fall upon a Sunday or legal holiday in any of the States of the district in which the election is being held, and that, in view of the requirement of the statute as to the time in which the chairman shall furnish a copy of the list of candidates to each member bank, the date fixed for the opening of the polls should not in any case be more than fifteen days after the completion of this list.

Letter approved.

Reports of Standing Committee dated May 17, 18 and 19, 1932, recommending approval of the following changes in stock at Federal reserve banks:

Applications for SURRENDER of Stock:

<table>
<thead>
<tr>
<th>District No. 2</th>
<th></th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>First National Bank, High Bridge, N. J. (Insolvent)</td>
<td></td>
<td>54</td>
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<tr>
<th>District No. 7</th>
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<th>Shares</th>
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<tbody>
<tr>
<td>First National Bank, Champaign, Ill. (Insolvent)</td>
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<td>270</td>
</tr>
<tr>
<td>First National Bank, Horicon, Wis. (V.L.Abs. by Horicon State Bank)</td>
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<td>24</td>
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Applications for SURRENDER of Stock: (Cont’d)

<table>
<thead>
<tr>
<th>District No.</th>
<th>Bank Name</th>
<th>Location</th>
<th>Type</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>First National Bank, Ozark, Ark.</td>
<td>(Insolvent)</td>
<td></td>
<td>17</td>
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<td></td>
<td>First National Bank, Nebo, Ill.</td>
<td>(Insolvent)</td>
<td></td>
<td>29</td>
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<td></td>
<td>First National Bank, Glasgow, Ky.</td>
<td>(Insolvent)</td>
<td></td>
<td>36</td>
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<td>9</td>
<td>National Bank of Aitkin, Aitkin, Minn.</td>
<td>(V.L.Abs. by First National Bank of Aitkin)</td>
<td>45</td>
<td></td>
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<tr>
<td></td>
<td>Little Missouri Bank, Camp Crook, S. Dak.</td>
<td>(V.L.Abs. by Butte County Bank, Belle Fourche, S. Dak.)</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>First National Bank, Stewartville, Minn.</td>
<td>(Insolvent)</td>
<td>36</td>
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<td>10</td>
<td>First National Bank, Alva, Okla.</td>
<td>(Insolvent)</td>
<td></td>
<td>43</td>
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<td>National Bank of Adrian, Adrian, Mo.</td>
<td>(Insolvent)</td>
<td>15</td>
<td></td>
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<tr>
<td>11</td>
<td>First State Bank, Roby, Texas.</td>
<td>(Insolvent)</td>
<td></td>
<td>33</td>
</tr>
<tr>
<td>12</td>
<td>Nephi National Bank, Nephi, Utah.</td>
<td>(Insolvent)</td>
<td></td>
<td>30</td>
</tr>
</tbody>
</table>

Total: 761

Approved:

Thereupon the meeting adjourned.

Approved: 

Chairman, Executive Committee.