

A meeting of the Federal Reserve Board was held on Friday, June 3, 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  
Mr. Snead, Chief, Division of Bank Operations.

The Governor reported briefly on his attendance at meetings held at the Federal Reserve Bank of Cleveland on June 1 and at the Federal Reserve Bank of Philadelphia on June 2, at which committees of business men and bankers were appointed for the purpose of developing ways and means of making effective use through the banks in those districts of the funds which are being made available by the open market program of the Federal Reserve System. Reference was also made to the fact that the governors of the Federal Reserve Banks of Atlanta, St. Louis, Dallas and San Francisco have already appointed similar committees in their respective districts and that the organization of such a committee in the Richmond district is under way.

The minutes of the meetings of the Federal Reserve Board held on May 16, 17 and 20, 1932, were approved.

The minutes of the meeting of the Federal Reserve Board held on May 23, 1932, were amended and approved.

The Board then considered and acted upon the following matters:

Letters dated May 26 and June 2, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated May 27, 1932, from the Chairman of the Federal Reserve Bank of Chicago, June 1, 1932, from the Chairmen of the Federal Reserve Banks of Boston, Philadelphia and St. Louis

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and June 2, 1932, from the Secretary of the Federal Reserve Bank of Kansas City and 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.

Letter to the Federal Reserve Agent at Cleveland, approved by five members of the Board on June 1, 1932, stating that the Board has approved the bonds, each in the amount of \$50,000, executed by Messrs. W. H. Nolte and R. G. Johnson, as acting assistant Federal reserve agents of the Federal Reserve Bank of Cleveland at its Pittsburgh and Cincinnati branches respectively.

Bonds and letter approved.

Telegraphic reply, approved by five members of the Board on May 31, to a telegram dated May 28, 1932, from the Federal Reserve Agent at San Francisco requesting approval of the temporary designation of Mr. E. B. McBride as an examiner for the purpose of making emergency examinations in the Salt Lake territory; the request having been occasioned by the fact that the bank's regular examiners are occupied with work for the Reconstruction Finance Corporation. The reply stated that the Board approves the temporary designation of Mr. McBride as an examiner for the purpose referred to.

Reply approved.

Letter to the Comptroller of the Currency, approved by five members of the Board on May 31, stating that in accordance with the recommendation contained in his letter of May 20, 1932, the Board has approved a salary at the rate of \$3,000 per annum for Mr. Adam Wetzell, national bank examiner.

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Salary and letter approved.

Reply, approved by five members of the Board on May 31, to a letter dated May 14, 1932, from the Chairman of the Federal Reserve Bank of Atlanta stating that, subject to the approval of the Federal Reserve Board, the board of directors of the Atlanta bank had made an appropriation of \$2,450 for educational and recreational purposes at the bank's head office and branches during the year 1932; the reply stating that the Board has approved the appropriation referred to.

Reply approved.

Reply, approved by five members of the Board on May 31, to a letter dated May 17, 1932, from the Federal Reserve Agent at St. Louis transmitting an application filed by the Grand National Bank, St. Louis, Missouri, for a reduction in its reserve requirements from 10% to 7% of demand deposits; the reply stating that the Board has considered the matter in the light of the agent's unfavorable recommendation and the information contained in his letter and has disapproved the application.

Reply approved.

Telegraphic reply, approved by five members of the Board on June 2, 1932, to a telegram of that date from the Governor of the Federal Reserve Bank of Boston requesting an extension to June 16, 1932, of the authority granted to the Boston bank on May 21, 1932, to advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Worcester Bank and Trust Company, Worcester, Massachusetts, not exceeding \$1,000,000, at a rate of 5 1/2% per annum, payable on demand; Governor Young stating that the member bank is not using any portion of the credit

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at the present time and that, while withdrawals have subsided, it is believed the Federal reserve bank should be in a position to function quickly should further withdrawals occur. The reply stated that the Board extends to June 16, 1932, the authority granted in its telegram of May 21, 1932.

Reply unanimously approved.

Telegraphic reply, approved by five members of the Board on June 2, 1932, to a telegram of that date from the Governor of the Federal Reserve Bank of Boston requesting a further extension to June 16, 1932, of the authority granted by the Board to the Federal Reserve Bank of Boston on April 29, 1932, to advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the United States Trust Company, Boston, Massachusetts, not exceeding \$2,000,000, at a rate of 5 1/2% per annum, and payable on demand; Governor Young stating that the bank is now using \$380,000 of the credit and that, inasmuch as there is a continued loss of deposits, it is felt the Federal reserve bank should be prepared to lend additional assistance. The reply stated that the Board extends to June 16, 1932, the authority granted in its telegram of April 29, 1932.

Reply unanimously approved.

Telegraphic reply, approved by five members of the Board on June 2, 1932, to a telegram of that date from the Governor of the Federal Reserve Bank of Boston requesting a further extension to June 16, 1932, of the authority granted by the Board to the Federal Reserve Bank of Boston on May 6, 1932, to advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Quincy Trust Company, Quincy, Massachusetts, not exceeding \$250,000, at a rate of 5 1/2% per annum, payable on demand; Governor Young stating that the member bank is not using

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any portion of the credit at the present time and that, while withdrawals of deposits have subsided, it is believed the Federal reserve bank should be in a position to extend credit should further withdrawals develop. The reply stated that the Board extends to June 16, 1932, the authority granted in its telegram of May 6, 1932.

Reply unanimously approved.

Telegraphic reply to a wire dated June 3, 1932, from the Governor of the Federal Reserve Bank of Boston requesting authority for an advance to the Peoples National Bank, Southbridge, Massachusetts, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, of not to exceed \$75,000, at a rate of 5 1/2% per annum, payable on demand, on the security of approximately \$200,000 of miscellaneous marketable bonds; the advance being desired to assist in meeting a run now in progress against the bank. Governor Young stated that only such advance will be made as is felt will be adequately and safely secured. The reply advised that the Board authorizes the Federal Reserve Bank of Boston during a period of two weeks from this date to advance to the member bank not to exceed \$75,000 under the terms and conditions recommended.

Reply unanimously approved.

Telegraphic reply, approved by five members of the Board on June 2, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the First National Bank, Bolivar, New York, in the amount of \$60,000, for a period of ninety days, at a rate of 5 1/2% per annum, and on the security of customers' notes secured by mortgages, oil leaseholds, miscellaneous

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bonds and shares of stock, and unsecured customers' ineligible notes aggregating approximately \$108,000 face amount; the advance being desired because of the probable imminent failure of the institution without prompt relief and the fact that its closing might seriously affect other banks in the surrounding territory. The reply stated that the Board approves the advance, subject to the terms and conditions recommended.

Reply unanimously approved.

Telegraphic reply to a wire dated June 3, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority to purchase from the Bank of Nutley, New Jersey, a tax anticipation note of the Town of Nutley in the amount of \$125,000; the reply stating that the Board authorizes the purchase with the understanding that the note meets all requirements of Regulation E except that the net funded indebtedness of the municipality exceeds 10% of the valuation of its taxable property and that the amount of the note offered exceeds 25% of the total amount of outstanding warrants of the municipality.

Reply approved.

Telegraphic reply, approved by five members of the Board on June 2, 1932, to a telegram of that date from the Governor of the Federal Reserve Bank of Boston recommending approval by the Board of an application received from the Berlin National Bank, Berlin, New Hampshire, for permission to re-discount a note of the Fidelity Savings Bank of Berlin, a nonmember bank, secured by United States Treasury bonds; the reply stating that the Board authorizes the Federal reserve bank, in its discretion, for a period of six months from June 2, 1932, to rediscount for the national bank good and eligible paper acquired from or bearing the signature or indorsement of the

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Fidelity Savings Bank. The reply also stated that the Board believes that no such paper should be rediscounted until the national bank has utilized all other paper in its portfolio which is eligible and acceptable to the Federal reserve bank for rediscount; that the Board wishes to point out that a member bank is permitted by law to borrow from the Federal reserve bank on its own note secured by obligations of the United States for a maximum period of fifteen days and, if the note made by the nonmember bank secured by obligations of the United States is rediscounted for the member bank, with a maturity at the time of rediscount in excess of fifteen days, the nonmember bank would thus be enabled indirectly to obtain credit from the Federal reserve bank on its own note for a longer period than is permissible in case of direct borrowing by the member bank; and that it is believed appropriate in such case to give due regard to the question whether the transaction between the member bank and nonmember bank has been entered into in good faith or merely as an indirect means of obtaining Federal reserve bank credit on a note of a nonmember bank for a period in excess of fifteen days.

Reply approved.

Letter to the Cumberland National Bank, Bridgeton, New Jersey, 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

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to act under the laws of the State of New Jersey, 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.

Letter to the Federal Reserve Agent at New York referring to Assistant Federal Reserve Agent Downs' letter of May 14, 1932, submitting a certified copy of a resolution of the board of directors of the First National Bank of Kenmore, New York, signifying the bank's desire to surrender its right to exercise trust powers; the Board's letter stating that, in accordance with the procedure prescribed in 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 First National Bank of Kenmore 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 bank terminating its right to exercise trust powers.

Letter approved, together with a letter to the Comptroller of the Currency in accordance therewith.

Letter to the Federal Reserve Agent at Minneapolis referring to Assistant Federal Reserve Agent Bailey's letter of May 5, 1932, transmitting the request of the James River National Bank and Trust Company of Jamestown, North Dakota, that the Board return the trust permits previously filed with the Board in connection with the national bank's desire to surrender its trust powers; the Board's letter inclosing the permits referred to, together with a copy of a letter received from the Treasurer of the State



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of North Dakota under date of May 23, 1932, and of the Board's reply thereto. The letter from the State Treasurer of North Dakota stated that the securities pledged by the James River National Bank and Trust Company have been returned to the bank on the ground that it is no longer doing a trust business, and that before the bank may again exercise trust powers it must first deposit \$50,000 in securities which are acceptable to the State examining board. The Board's reply to the State Treasurer's letter stated that, while a national bank's corporate power to act in fiduciary capacities does not cease automatically when it obtains a release of the securities pledged with State authorities, it cannot lawfully resume the exercise of such powers under the terms of section 11(k) of the Federal Reserve Act without first depositing with the State authorities the securities required by State law for the protection of private or court trusts, and that in the circumstances the Board assumes that the State Treasurer has no objection to the return to the James River National Bank and Trust Company of the permits to act in fiduciary capacities previously issued to it. The letter to the Federal Reserve Agent at Minneapolis also stated that in returning the permits to the national bank its attention should be called to the fact that it may not lawfully resume the exercise of trust powers without first depositing with State authorities the securities required by State law.

Letter to the Federal Reserve Agent and  
reply to the letter received from the Treasurer  
of the State of North Dakota approved.

Reply to a letter dated May 24, 1932, from the Federal Reserve Agent at Philadelphia, referring further to the deficient reserves of the First National Bank, Mount Holly Springs, Pennsylvania, for a period of more than six consecutive months; the reply stating that, in view of the agent's

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report that the required reserve is now being maintained, the Board will take no further action at this time.

Reply approved, together with a letter to the Comptroller of the Currency transmitting a copy of the Federal reserve agent's letter and of the Board's reply thereto.

Reply to a letter dated May 20, 1932, from the Federal Reserve Agent at Richmond reporting that the Central National Bank of Spartanburg, South Carolina, was continuously deficient in its required reserves during the previous six months period; the reply stating that, in view of the information submitted and the agent's recommendation, the Federal Reserve Board is taking no action in the matter at this time other than to forward a copy of the agent's letter to the Comptroller of the Currency for the information of his office.

Reply approved together with an appropriate letter to the Comptroller of the Currency.

Reply to a letter dated May 25, 1932, from the Federal Reserve Agent at St. Louis with further reference to deficiencies in the reserves of the Peoples National Bank and Trust Company, Sullivan, Indiana, which have continued for more than a year; the reply noting that plans for a reorganization of the bank are contemplated, and requesting that the agent advise the Board in due course whether the reorganization is effected and if not, that he submit his recommendation as to the action to be taken by the Board in the premises.

Reply approved, together with a letter to the Comptroller of the Currency transmitting a copy of the agent's letter and the Board's reply thereto.

Letter to the Federal Reserve Agent at New York, approved by five

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members of the Board on May 31, 1932, stating that the Board has considered the application filed by the Steuben Trust Company, Hornell, New York, for membership in the Federal Reserve System, and the recommendation of the board of directors of the Federal Reserve Bank of New York that such application be approved subject to the usual conditions of membership and the further condition that the trust company strengthen its capital structure within ninety days by the addition of not less than \$150,000 of new capital funds to be paid in prior to the completion of membership, but that, in view of the generally unsatisfactory condition of the applicant, the Board is of the opinion that it will require considerably more than the introduction of \$150,000 of new money to place the institution in a condition which would warrant the Board's taking favorable action on its application for membership in the Federal Reserve System, and that it is, therefore, requested that the agent discuss the matter with the applicant and suggest that it request the Board not to take action on its application at this time and that the bank submit a new application at a later date when its unsatisfactory condition has been corrected.

Letter approved.

Letter to the Federal Reserve Agent at New York referring to Assistant Federal Reserve Agent Dillistin's letter of December 29, 1931, and other correspondence with regard to the merger as of November 2, 1931, of the Overpeck Trust Company, Ridgefield Park, New Jersey, with the Ridgefield Park Trust Company, both member banks, under the charter of the latter and under the title of the Ridgefield Park-Overpeck Trust Company; the Board's letter stating that the information submitted would indicate that there has been no material change in the general character of the

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assets of the Ridgefield Park Trust Company or broadening 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, in accordance with the agent's recommendation, the Board will interpose no objection to the transaction. The letter also stated that, in view of the bank's undercapitalized condition by reason of estimated losses and depreciation on stocks and defaulted bonds, the Board requests the agent to consider the advisability of approaching the bank at such time as conditions warrant on the question of increasing its capital to provide adequate protection to depositors.

Letter approved.

Letter to the Federal Reserve Agent at Philadelphia, approved by five members of the Board on May 31, referring to his letter of March 15, 1932, and subsequent correspondence with regard to the absorption on October 17, 1931, of the Seaside Trust Company by the Guarantee Trust Company, both nonmember banks in Atlantic City, New Jersey, and the subsequent consolidation on December 28, 1931, of the Guarantee Trust Company, the Marine Trust Company and the Neptune Trust Company, nonmembers, with the Atlantic Safe Deposit and Trust Company, a member, all of Atlantic City, under the charter of the latter institution and under the title of the Guarantee Trust Company; the Board's letter stating that it appears from the information submitted that the action of the member bank in consolidating the nonmember institutions has not resulted in any material change in the general character of its assets or broadening in the scope of the functions exercised by it within the meaning of the general condition under which it

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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.

Reply, approved by five members of the Board on June 1, to a letter dated March 26, 1932, from the Federal Reserve Agent at Philadelphia stating that at the time of the last increase in its capital the Wilmington Trust Company, Wilmington, Delaware, made loans to certain of its directors and employees for the purpose of enabling them to purchase the stock of that institution and that the notes of such officers and employees were guaranteed by the President and Vice-President of the trust company, respectively, who hold the shares of stock so purchased as partial security for their guaranties; the agent raising the questions (1) whether these transactions involve a violation of the spirit of the provision of section 9 of the Federal Reserve Act which requires State member banks to conform to the provisions of law which prohibit national banks from lending on or purchasing their own stock, and (2) whether the new issue of stock was fully paid-in in view of the fact that a portion thereof was represented by the notes referred to. The reply stated that the transaction described constitutes a clear violation of the spirit and purpose, if not the letter, of section 9 of the Federal Reserve Act, and that it is also clear that when capital stock of a bank is issued in return for the promissory notes of the purchasers it cannot properly be considered as "paid up" within the meaning of the provisions of the Federal Reserve Act. The reply also requested that the agent take the matter up with the trust company with a view of

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obtaining a correction of the situation, and suggested that if he is unable to obtain satisfactory action within a reasonable time he consider the advisability of bringing the matter to the attention of the appropriate State authorities in connection with the question of a possible violation of a provision of the State constitution which provides that no corporation shall issue stock except for money paid, labor done or personal property or real estate or leases thereof, actually acquired by such corporation.

Reply approved.

Reply, approved by five members of the Board on May 31, to a letter dated May 7, 1932, from the Federal Reserve Agent at Richmond with further regard to the Maryland Trust Company of Baltimore, Maryland, holding its own stock through ownership of the Securities Corporation of New England; the reply noting that a substantial amount of the stock so held has been disposed of since the date of the last examination of the trust company and that it appears that the institution is doing all it can to dispose of the balance of such stock, and stating that in these circumstances the Board will take no further action with reference to the matter at this time, but that, unless the agent receives a further report from the trust company within a reasonable time, he should again call the matter to the attention of the trust company and at the end of six months make a further report to the Board as to the progress made in disposing of the stock. The reply also noted that the agent has taken up with the trust company the holding of its own stock as collateral security for two of its loans and requested that the agent advise the Board at the end of six months as to what

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disposition has been made of this matter by the trust company.

Reply approved.

Reply, approved by five members of the Board on May 31, to a letter dated May 21, 1932, from the Federal Reserve Agent at Dallas transmitting a voluntary notice of intention to withdraw from membership in the Federal Reserve System, filed under date of May 18, 1932, by the First State Bank of Bedias, Texas, which has reduced its capital from \$25,000 to \$17,500, an amount below that required of a member bank; the reply stating that, in view of the circumstances, and in accordance with the agent's recommendation that the bank be permitted to withdraw immediately, the Board has voted to waive in this case the usual requirement of six months notice and to permit immediate withdrawal from membership by the member bank.

Reply approved.

Reply, approved by five members of the Board on May 31, to a letter dated May 17, 1932, from the Federal Reserve Agent at Philadelphia stating that a number of member banks in the Third Federal Reserve District, because of an unliquid condition and continued loss of deposits, have been unable to maintain their reserves, and inquiring whether, in view of the circumstances involved, the Federal Reserve Board will require a strict compliance with section IV(b) of Regulation D with regard to addressing letters to the directors of banks with deficient reserves; the reply stating that the purpose sought to be accomplished by the subsection referred to is to bring to the attention of the individual directors the fact that the member bank is not maintaining its reserves in order that the directors may take the proper steps to see that the

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bank meets the requirements of the law in the future; that it is realized, however, that there may be instances in which it is apparent from the Federal reserve agent's contact with the bank, or from other available information, that the failure of the member bank to maintain its reserves is due to its unsatisfactory condition rather than any disregard on the part of the management for the requirements of the law, or that other reasons exist which would make it undesirable to write the directors concerning the matter, and that in these cases such letters, rather than accomplishing the desired purpose, might have an adverse effect; that it was for this reason that, as stated in the Board's letter of January 18, 1928, (X-5039), the subsection was purposely phrased in such a way as to permit some flexibility and to afford the agent an opportunity, after discussion with the chief national bank examiner in the case of a national bank or with the State bank supervisor in the case of a State member bank, to exercise a reasonable discretion in its administration; and that, therefore, in each case where there are indications that the bank is not paying due regard to the maintenance of its reserves, the agent should give careful consideration to all the circumstances involved and consult with the chief national bank examiner or the State bank supervisor in order to determine, in the exercise of a reasonable discretion, whether it is advisable to write the directors. The reply also stated that in cases where it becomes necessary for the agent to report to the Board, in accordance with section IV(b) of Regulation D, deficiencies in reserves for a period of six consecutive months, it is requested that he include in his report full information as to the consideration which has been given to the matter of writing the directors of the member bank, and, where such letters have not



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been sent, the reasons therefor.

Reply approved, together with a letter to the Federal Reserve Agent at Cleveland, approved by three members of the Board on May 31, in response to his letter of May 20, 1932, and a circular letter to the Federal reserve agents at other Federal reserve banks, approved by three members of the Board on June 2, each inclosing a copy of the letter to the Federal Reserve Agent at Philadelphia.

Telegraphic reply, approved by five members of the Board on June 1, to a telegram dated May 31, 1932, from Deputy Governor Clerk of the Federal Reserve Bank of San Francisco inquiring whether the Valley Bank and Trust Company of Phoenix, Arizona, could lawfully consolidate the Arizona Bank of Phoenix, and retain, as branches of the consolidated institution, all offices of the Arizona Bank of Phoenix existing in January, 1927, as well as the Flagstaff, Arizona, branch which resulted from the removal in 1931 of the head office of the Arizona Bank from Flagstaff to Phoenix, the Flagstaff office being continued as a branch; the reply stating that if the Arizona Bank of Phoenix should consolidate with the Valley Bank and Trust Company under the provisions of a State law whereby the corporate existence of the constituent institutions is merged into and contained in the consolidated bank, or, in the absence of such a State law, if both institutions should consolidate with a national bank under the Act, of November 7, 1918, as amended, the consolidated bank may retain the out of town branches established by the constituent institutions prior to February 25, 1927; that the Board is not advised whether there is a consolidation statute in Arizona containing such provisions; and that on the basis of the facts stated it appears that the Flagstaff office of the Arizona Bank was not a branch established prior to February 25, 1927, and, therefore, cannot lawfully be retained. The reply further stated that if in the light of all

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the facts, counsel for the San Francisco bank is of the opinion that the Flagstaff office can be retained, the Board will be glad to reconsider the matter in the light of his opinion, the reasons therefor, and a full statement of the facts.

Reply approved.

Letters to the First National Bank, Shawano, Wisconsin, the Dawson-City National Bank, Dawson, Georgia, and the Beckley National Exchange Bank, Beckley, West Virginia, each of which is an institution resulting from the consolidation under the Act of November 7, 1918, of two national banks, one or both of which had previously been authorized by the Board to exercise trust powers; the letters inclosing in each case a certificate in the form recently approved by the Board of the consolidated bank's authority to exercise the trust powers previously granted to the constituent national banks.

Letters and certificates approved.

Reply to letters dated January 30 and February 8, 1932, from the Federal Reserve Agent at St. Louis with regard to the continuance of group life insurance upon the lives of certain employees of the bank who have been retired because of disability or old age; the executive committee of the bank having determined, subject to approval of the Federal Reserve Board, that in cases where an employee has become so disabled after reaching the age of sixty as to render his services unsatisfactory and the officers of the bank are satisfied that his case merits such consideration, he should be carried on the payroll at a nominal salary, and the insurance covering his life under the group policy continued in the amount carried at the time of disability. The reply requested a copy of the group life

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insurance policies in force in the bank at the present time and at the time of the retirement from service of the employees affected by the action of the executive committee, and, also that the Board be advised for what period each of these employees had been in the service of the bank and what his age was upon retirement from service. The reply also raised the question as to whether under the bank's policies the insurance of disabled employees is not permissible without the necessity of carrying them on the payroll even at a nominal salary, and requested that the Board be advised whether the matter has been discussed with the insurance company on this basis and whether, in the opinion of the bank's counsel, it was necessary under the terms of the policy that these employees be carried on the payroll at a nominal salary in order that the insurance covering them might be continued.

Reply approved.

Memorandum from Counsel dated May 25, 1932, referring to Public Act No. 138, 72nd Congress, which was approved on May 19, 1932, and which authorizes the use of debentures of Federal Intermediate Credit Banks as security for member banks' fifteen day notes, and authorizes Federal reserve banks to rediscount notes evidencing direct loans or advances of Federal Intermediate Credit Banks; Counsel recommending that the text of the Act be published in the next issue of the Federal Reserve Bulletin together with a brief introductory statement in the form submitted with the memorandum.

Counsel's recommendation having been approved by five members of the Board on May 31, the publication of the text of the Act and the introductory statement referred to was approved.

Circular letter to the Governors of all Federal reserve banks, approved by four members of the Board on May 28, 1932, outlining a new pro-

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cedure to be followed in connection with the publication of the July issue of the par list.

Letter approved.

Replies, approved by five members of the Board on May 31, to letters dated May 6, 1932, from the President of the First National Bank, Allegheny, New York, and May 13, 1932, from the President of the Citizens National Bank, Wellsville, New York, with regard to the eligibility for rediscount at a Federal reserve bank of paper the proceeds of which are used for the drilling of oil wells; the replies stating that the Federal Reserve Board considered this question in 1920 and expressed the opinion generally at that time that an oil producer's note, the proceeds of which have been, or are to be used for drilling oil wells, even on proven territory, is a note "the proceeds of which have been or are to be used for permanent or fixed investments" within the meaning of the Board's regulations and that, therefore, such a note is not eligible for rediscount by a Federal reserve bank; that since receiving the letters referred to above the Board has carefully reconsidered this question and again has reached the conclusion that such paper is issued or drawn for a capital purpose and is, accordingly, ineligible for rediscount; and that when the proceeds of a note are used for the drilling of oil wells on other than proven territory the purpose is a speculative one within the meaning of the Board's regulations and such a note would be ineligible for this reason also.

Replies approved.

Reply to a letter dated May 13, 1932, from Deputy Governor Paddock of the Federal Reserve Bank of Boston stating that a national bank has

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raised the question whether it may accept a draft drawn under the following circumstances: A cotton broker finances the shipment of cotton which he has purchased by drawing on his bank at 90 days sight, the order bill of lading covering the cotton being attached at the time of acceptance; the bill of lading is released by the bank to the cotton broker on trust receipt, and later the broker delivers to the bank a storage receipt for the cotton issued by a mill and also a contract for the sale of the cotton to the mill in 90 days; the receipt issued by the mill acknowledges that the cotton has been received for the account of the broker and contains an agreement by the mill to hold the cotton subject only to the broker's orders and to be responsible to whom it may concern for any damage to or any loss of the cotton; at maturity of the acceptance the broker at the request of the mill extends the sales contract for a further period of 90 days and requests his bank to finance the cotton by an acceptance for an additional period, offering the mill receipt as the basis for a warehouse acceptance credit. The question presented is whether the member bank may properly accept the draft for the additional period.

The reply differentiated between the ruling of the Federal Reserve Board published on page 52 of the Federal Reserve Bulletin for 1922 and the ruling published on page 811 of the Bulletin for 1929, and stated that Deputy Governor Paddock's letter does not contain a sufficiently detailed statement of the facts of the transaction, particularly with respect to the question whether during the life of the acceptance the cotton is actually held by the mill in storage or is used by the mill in manufacturing, to enable the Board to determine whether the purpose of the acceptance

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is to furnish working capital for the mill or is otherwise inconsistent with the requirements of the Board's previous rulings on such question; that, in order to determine the question whether the mill receipt is issued by a party independent of the customer and whether it conveys or secures title to the cotton, it would be necessary to have a copy of the sales contract, a copy of the mill receipt, and a copy of any other document arising out of the transaction which might tend to show the relationship between the parties; and that, with the requisite information concerning these matters before it, the Federal reserve bank, with the assistance of its counsel, will probably be in a position to determine the questions presented in the light of the Board's regulations and the previous rulings on acceptance questions, and that if after reviewing the matter, the bank still feels that the questions should be considered by the Board, there should be submitted to the Board a statement covering in more detail the facts of the transaction and copies of the documents mentioned, together with a copy of an opinion of the bank's counsel with respect to the several questions presented.

Reply approved.

Reply to a letter dated April 23, 1932, from Deputy Governor Zurlinden of the Federal Reserve Bank of Cleveland with further reference to the question whether notes of farmers given to finance the storage of cherries grown by them and cold packed at their expense are to be regarded as agricultural paper and eligible for rediscount with maturities up to nine months; the reply stating that the Board has heretofore taken the position that the storage of crops pending their orderly marketing is one

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of the steps in the marketing of such crops and that the paper of a grower, the proceeds of which have been used to enable him to store his crop pending orderly marketing is agricultural paper; that inasmuch as it appears that processing is essential to the proper storage of cherries for the period necessary in their orderly marketing, the Board feels that the processing or cold packing of cherries at the expense of the grower may properly be regarded as incidental and necessary to their orderly marketing and that the notes of the grower given for the purpose of financing the storage of such cherries as one of the steps in their orderly marketing are eligible for rediscount as agricultural paper with maturities up to nine months. The reply further stated that where the storage or processing is not incidental and necessary in orderly marketing or where the cherries are stored for speculative purposes rather than for the purpose of orderly marketing, paper the proceeds of which are used to finance such storage or processing would not be eligible as agricultural paper.

Reply approved.

Letter to the Secretary of Commerce, approved by five members of the Board on May 31, 1932, referring to bill H. R. 11424 which would direct the Secretary of Commerce to discontinue the monthly collection by the Bureau of the Census of certain industrial statistics; the letter stating that these statistics are of great importance to the Board and the Federal Reserve banks and their continued collection is a matter of genuine interest to the Board and the banks; that the statistical series referred to make up 23% of the Board's index of industrial production which is widely used by Government statisticians, business men and others, both in the United States and abroad, and that in view of the extensive use of these monthly

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data the Board hopes that the Committee of the Census, in its consideration of the bill, will take account of the interest of the system in the continued collection of the figures.

Letter approved.

Letter to the Chairman of the Committee on Banking and Currency of the Senate, prepared for the signature of the Secretary of the Treasury at the request of the former and approved by five members of the Board on May 26, 1932, with regard to bill H. R. 11499, "an act for restoring and maintaining the purchasing power of the dollar"; the letter inclosing a copy of the Secretary's report of May 13, 1932, on bill S. 4429, which report was approved at the meeting of the Federal Reserve Board on May 16, 1932, and stating that, as the purpose of the bill in question is the same as that of S. 4429, it is the view of the Treasury Department, for the reasons stated in the earlier report, that the enactment of H. R. 11499 would be undesirable.

Letter approved.

Letter to the Chairman of the Banking and Currency Committee of the Senate stating that it is believed that his attention should be invited to the fact that, if enacted in its present form, the so-called Glass Bill would repeal the amendment contained in S. 2409, approved on May 19, 1932, which makes debentures of Federal intermediate credit banks which are eligible for purchase by Federal reserve banks, eligible also as security for advances made by them to their member banks, and that if, notwithstanding the recommendations contained in the Board's letter of March 29, 1932, section 8 of the Glass Bill is to be retained in its present form, then in order to preserve the amendment made by section 6 of S. 2409, section 8



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of the Glass Bill should be amended in the manner outlined in the letter.

Letter approved, together with a letter to Senator Carter Glass transmitting for his information a copy of the letter to the Chairman of the Banking and Currency Committee of the Senate.

Letter, approved by five members of the Board on June 1, 1932, to Messrs. McKeever & Goss, Inc., as agents for the owners of the Shoreham Building, referring to negotiations with them for a lease by the Federal Reserve Board of the entire office space on the fourth floor and a designated portion of the office space on the third floor of the Shoreham Building, and stating that it is understood that the agents have offered, on behalf of the owners, to lease to the Board the space referred to at a rental of \$1.50 per square foot per annum based upon an aggregate area for the purpose of determining rental, of not more than 13,808 square feet, and in no event exceeding \$20,712 per annum, for a term of five years beginning July 1, 1932, subject to the right of the Federal Reserve Board to terminate the lease at or after the end of the third year upon notice in writing given by the lessee to the lessor not less than sixty days prior to the date of termination and subject also to the terms and conditions set forth in the letter. The letter also notified the agents of the Board's acceptance of the offer upon the terms and conditions mentioned and subject to the execution of a proper lease by the lessor company which shall contain the usual conditions for the repair and maintenance of the leased space by the lessor and be in form satisfactory to the Federal Reserve Board.

Letter approved.

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Reply, approved by five members of the Board on May 27 to a memorandum dated May 12, 1932, left with the Board by the Governor of the Federal Reserve Bank of San Francisco, suggesting that the Board increase to \$50,000,000, the margin fixed for the San Francisco bank in the Board's letter of May 2, 1932, with regard to the pledging of United States Government securities as collateral for Federal reserve notes, and stating that while it would be possible to meet the situation with the present margin fixed for the bank by requesting the Federal reserve agent to appoint assistant Federal reserve agents at some or all of the branches of the bank, the agent is reluctant to make such appointments unless it is necessary as it has been found extremely undesirable to have representatives of the agent's department attached to branch offices and at the same time without occupation other than the custody of notes. The reply reviewed the method used by the Board in arriving at the margins fixed for the various Federal reserve banks and stated that if the plan for the appointment of acting assistant Federal reserve agents recently adopted by some of the other Federal reserve banks were adopted at the Los Angeles branch, the Federal reserve agent could assign to his representative at the branch such other duties as in his opinion were not inconsistent with the functions of an acting assistant Federal reserve agent, and that as the Los Angeles branch now keeps on hand about \$10,000,000 of Federal reserve notes it may be that the appointment of a present employee as acting assistant Federal reserve agent at the branch to act as the agent's representative in holding in custody, jointly with the branch, unissued Federal reserve notes, will satisfactorily take care of the situation without increasing the operating

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costs of the branch. The reply also stated that if it is found that the appointment of one of the present employees as an assistant to the agent at one of the northwest branches also would be in the interest of efficient and economical operation of the bank, the Board is prepared to give prompt consideration to a request from the Federal reserve agent to make such an appointment.

Reply approved.

Reports of Standing Committee dated May 27 and 28, 1932, and June 1 and 2, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
Peoples National Bank, Parkersburg, W. Va.	306	306
<u>District No. 7.</u>		
Oconomowoc National Bank, Oconomowoc, Wisconsin.	60	60
<u>District No. 10.</u>		
Nebraska National Bank of Alliance, Nebraska.	66	66
	<u>Total</u>	<u>432</u>
 <u>Application for ADDITIONAL Stock:</u>		
<u>District No. 1.</u>		
Gloucester National Bank, Gloucester, Mass.	24	24
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 3.</u>		
Orbisonia National Bank, Orbisonia, Pa. (V.L.Abs. by First National Bank of Mount Union, Pa.)	23	23
<u>District No. 7.</u>		
Streator National Bank, Streator, Ill. (Decrease in surplus)	15	15
<u>District No. 9.</u>		
First National Bank, Winnebago, Minn. (Abs. by the Blue Earth Valley National Bank, Winnebago, Minnesota.)	21	21

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 10.</u>		
First National Bank, Highland, Kans. (Insolvent)	30	
First National Bank in Independence, Kans. (Decrease in surplus)	<u>60</u>	90
<u>District No. 11.</u>		
First State Bank, Murchison, Texas. (V.L.Abs. by First National Bank, Athens, Texas.)	18	18
<u>District No. 12.</u>		
Citizens National Bank, Baker, Oregon. (V.L.Abs. by First National Bank of Baker, Oregon.)	72	72
	<u>Total</u>	<u>239</u>

Approved.

Report of Standing Committee dated June 1, 1932, recommending approval of the following Clayton Act application:

Mr. Millard E. Tydings, for permission to serve at the same time as director of the Baltimore Trust Company of Baltimore, Maryland, and as director of the First National Bank of Aberdeen, Maryland.

Approved.

Thereupon the meeting adjourned.

Peter Morley  
Secretary.

Approved:

Engelhardt  
Governor.