

A meeting of the Federal Reserve Board was held on Monday, June 6, 1932, at 12:15 p. m.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

The Board considered and acted upon the following matters:

Telegraphic reply, approved by five members of the Board on June 3, 1932, to a telegram of that date from Mr. H. F. Strater, Cashier of the Federal Reserve Bank of Cleveland, stating that the National Bank of Commerce, Lorain, Ohio, has requested a renewal of the advance of \$125,000 made by the Cleveland bank in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, and under the authority granted by the Board on April 5, 1932; Mr. Strater stating that the bank expects to repay the advance from proceeds of a loan from the Reconstruction Finance Corporation and that approval of the bank's request is recommended. The reply stated that the Board authorizes the renewal, for a period of thirty days, at a rate of 5 1/2% per annum.

Reply unanimously approved.

Memorandum dated June 2, 1932, from Mr. F. J. Drinnen, examiner in charge, recommending the appointment of Mr. Fred W. Troup as an assistant Federal reserve examiner, effective June 8, 1932, with salary at the rate of \$2,400 per annum.

Upon motion, it was voted to appoint Mr. Troup an examiner for all purposes of the Federal Reserve Act, as amended, and of all other acts of Congress pertaining to examinations made by, for, or under

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the direction of the Federal Reserve Board; to designate him as an assistant Federal reserve examiner, and to fix his salary at the rate of \$2,400 per annum, all effective June 8, 1932.

Memorandum from Counsel dated June 4, 1932, recommending the appointment of Miss Margaret Wisner as a stenographer in his office, with salary at the rate of \$1,800 per annum.

Upon motion, it was voted to appoint Miss Wisner as a stenographer in Counsel's office with salary at the rate of \$1,800 per annum, effective when she reports for duty.

Reply to a letter dated May 31, 1932, from the Federal Reserve Agent at Chicago stating that because of the additional work required of the bank examination department at the present time, consideration is being given to the addition of an examiner and an assistant examiner to the staff of the department, but before making a definite recommendation in the matter he would like to have the Board's reaction to the proposed appointments; the reply stating that the Board appreciates that under existing conditions it may be very difficult, with the limited force which the agent now has in his examination department, to carry out the policy of obtaining complete information regarding the condition of state member banks which is essential to the Federal reserve banks and the Federal Reserve Board, and that, accordingly, the Board will entertain definite recommendations from the agent for the appointment of an additional examiner and an assistant examiner at the Federal Reserve Bank of Chicago.

Reply approved.

Reply, approved by five members of the Board on June 4, to a letter dated May 20, 1932, from the Federal Reserve Agent at Minneapolis reporting continuous deficiencies in reserves on the part of the State Bank of Revere,

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Minnesota, which have continued for six and one-half months; the reply stating that, in accordance with the agent's recommendation, the Board will take no action in the matter at this time, but requests, in view of the unsatisfactory condition of the bank and the agent's statement that it is not a desirable member, that he keep the Board advised of developments in the premises, and that he call the matter, and the Board's decision thereon, to the attention of the State banking authorities with a request for their cooperation in any steps which in the circumstances can be taken to bring about a correction of the condition existing in the institution.

Reply approved.

Reply to a letter dated May 26, 1932, from the Federal Reserve Agent at Kansas City reporting that the Farmers and Merchants National Bank, Hooker, Oklahoma, was continuously deficient in its reserves during the period of six and one-half months ending May 15, 1932; the agent stating that the deficiencies have been occasioned to a very large extent by withdrawals of deposits and the bank's inability to make a corresponding reduction in its loans, and that the president of the bank, who is not active in its affairs but apparently controls the institution, is arranging to visit the bank within a few days with a view to correcting its unsatisfactory condition. The reply stated that, in accordance with the agent's recommendation, the Board will take no action with regard to 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.

Reply to a letter dated May 24, 1932, from the Federal Reserve Agent at San Francisco reporting that the Farmers State Bank, St. John,

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Washington, was deficient in its required reserves during fourteen consecutive computation periods in 1931 and five of the first seven periods in 1932; the agent calling attention to the fact that there has been a recent change in the management of the member bank which it is thought will considerably strengthen the institution and accomplish much toward restoring the confidence of the community. The reply stated that, in view of the information submitted, the Federal Reserve Board is taking no action in the matter at this time although it is requested that the agent advise the Board if the desired correction in the bank's condition is not effected by the new management.

Reply approved.

Reply to a letter dated May 26, 1932, from Assistant Federal Reserve Agent Dillistin at New York, advising that the Peoples Trust Company of Dunellen, New Jersey, had purchased as an investment, fifty shares of stock of the National City Bank without first securing the permission of the Federal Reserve Board as required by one of the bank's conditions of membership in the Federal Reserve System, the member bank having inadvertently overlooked the requirement of the condition. The reply stated that the Board has considered the circumstances and will interpose no objection to the trust company holding this small amount of stock in its assets, although the bank will be expected to adhere strictly to the condition of membership in the future.

Reply approved.

Reply to letters dated May 19, 1932, from the Federal Reserve Agent at New York, and May 27, 1932, from Assistant Federal Reserve Agent Dillistin,

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with regard to the application of the Mid-City Trust Company, Plainfield, New Jersey, for approval by the Board of a reduction in the capital stock of the trust company from \$200,000 to \$100,000, which was effected in January, 1932, without obtaining the Board's permission as required by one of the bank's conditions of membership. The reply stated that in view of the information submitted and the favorable recommendation of the discount committee of the Federal Reserve Bank of New York, the Federal Reserve Board approves the reduction referred to.

Reply approved.

Letter to the First National Bank, Baker, Oregon, approved by five members of the Board on June 4, 1932, stating that the Federal Reserve Board has considered the application for fiduciary powers filed by the bank through the Federal Reserve Agent at San Francisco and has authorized the bank to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, 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 Oregon, only in the specific trusts in which the Baker Loan and Trust Company, Baker, Oregon, had been appointed and was acting when taken over by the First National Bank of Baker on May 2, 1932, the exercise of such powers to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The letter also stated that action has been deferred on the bank's application for full fiduciary powers until after the next report of examination of the bank has been received.

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Letter approved.

Letter, approved by five members of the Board on June 4, 1932, to the First National Bank of Seattle, Washington, which was formed through a consolidation on December 9, 1931, of the Metropolitan National Bank of Seattle and the First National Bank of Seattle, under the provisions of the Act of November 7, 1918, the letter transmitting a certificate in the form recently approved by the Board of the consolidated bank's authority to exercise the fiduciary powers previously granted to the constituent national banks.

Letter and certificate approved.

Reply, approved by five members of the Board on June 4, 1932, to a letter dated May 17, 1932, from the Chairman of the Commercial Credit Corporation, Baltimore, Maryland, with further reference to the eligibility for rediscount by Federal reserve banks of the paper of factors engaged principally in the textile business in New York City; the reply stating that, except with respect to the paper of factors making advances exclusively to producers of staple agricultural products in their raw state, which is made eligible for rediscount by a specific provision of law, the principles which are applicable in determining the eligibility of factors' paper also govern the eligibility of the paper of finance companies; that, as pointed out in the Board's letter of May 16, the Board is advised that funds or credits advanced to the manufacturers of goods by the textile factors in question constitute in fact partial payments for such goods, and when the proceeds of notes are used in the first instance in making payments for goods purchased and not for the purpose of making loans to others, the notes are eligible for rediscount.

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Reply approved.

Letter to Mr. John C. Lever, Secretary of the Allegany County Division of the Cattaraugus-Allegany-Bankers Association, Andover, New York, approved by five members of the Board on June 4, replying to his letter of May 23, 1932, with regard to the eligibility for rediscount of paper the proceeds of which are used for the drilling of oil wells; the reply being the same as the replies approved by the Board on May 31, 1932, to similar letters received from the presidents of the First National Bank, Allegany, New York, and the Citizens National Bank of Wellsville, New York.

Reply approved.

Letter to the President of the Senate of the United States, approved by five members of the Board on June 4, 1932, submitting, in accordance with the request contained in Senate Resolution No. 211, adopted on May 9, 1932, a table showing the amount of United States Government securities held by the Federal reserve banks, together with the amount of the purchases and amount of the sales (including securities retired by payment at maturity) of such securities, each month from January, 1919 to April, 1932; the letter also stating that the table does not include special short-term certificates of indebtedness issued to the Federal reserve banks by the Treasury from time to time, as it is assumed that such transactions were not intended to be covered by the resolution.

Letter approved.

Letter to Congressman Fred M. Vinson, approved by five members of the Board on June 4, 1932, replying to a request made by him of the Under Secretary of the Treasury for information as to the amount of bonds purchased by the Federal reserve banks, with dates of the purchases, subsequent to the passage

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of the Glass-Steagall Bill; the reply inclosing a table showing the purchases and sales of United States Government securities by Federal reserve banks from February 29 to May 25, 1932. The reply also called attention to the fact that the figures shown in the table do not include special temporary certificates issued by the United States Treasury to the Federal reserve banks nor securities sold in the market by the Federal reserve banks for the account of member banks, as it is assumed that these types of transactions were not intended to be covered by the inquiry.

Reply approved.

Reply, approved by five members of the Board on June 4, 1932, to a letter addressed to the Governor under date of May 21, 1932, by the Chairman of the Banking and Currency Committee of the House of Representatives requesting suggestions and an expression of opinion on H. R. 7370, a bill to provide for the advancement of funds to receivers of insolvent banks and for other purposes; the reply stating that the Board is in favor of legislation that would establish a corporation for the purpose of expediting payments to the depositors of insolvent member banks, but it does not favor the enactment of H. R. 7370 in its present form because it would create a corporation with capital provided by the Federal reserve banks, in addition to capital provided by the United States Treasury, for the purpose of making advances to the receivers of nonmember State banks as well as to the receivers of member banks; and that, while provision is made for assistance to nonmember banks in the Reconstruction Finance Corporation Act, the Board believes that the benefits of any Federal legislation creating a permanent corporation for this purpose should be confined to member banks. The reply also inclosed a copy of

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the Board's report of March 27, 1932, to the Chairman of the Banking and Currency Committee of the Senate on S. 4115, which contains the Board's views on this general subject.

Reply approved.

Letter to the Federal Reserve Agent at Dallas referring to his reply of May 11, 1932, to the Board's letter of May 2, inclosing a letter from the Governor of the bank and a copy of a report submitted to the board of directors by a special committee of officers of the bank regarding the adjustments and corrections that have been made as a result of the comments of the Board's examiners in the report of examination of the bank as of February 13, 1932. The Board's letter noted that the Federal reserve bank does not contemplate establishing a special rate of interest on past due paper or issuing any circular letter to its member banks on this subject, but, where a member bank habitually fails to take up its discounted paper at maturity, the Federal reserve bank proposes to advise the officers of the member bank that after a specified date it will cease to waive the interest above the discount rate on past due paper and will collect the full contract rate after maturity according to the tenor of the paper; the letter also stated that the Federal Reserve Board knows of no legal or practical reason why the Federal reserve bank should not retain the interest collected on discounted paper after maturity, but that if the Federal reserve bank adopts the plan submitted in Governor McKinney's letter it should continue to make every reasonable and practicable effort through administrative action to induce member banks to take up or renew their discounted paper at maturity in order that the amount of past due paper held by the Federal reserve bank may be reduced to a minimum or eliminated entirely.

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Letter approved.

Telegraphic reply, approved by five members of the Board on June 4, 1932, to a telegram of that date from Deputy Governor Crane of the Federal Reserve Bank of New York, stating that advice has been received from the Bank for International Settlements that all participants in the Reichsbank credit have agreed to a full renewal of the credit for three months from June 4, 1932, on the same terms and conditions as heretofore, except that the rate on the renewal will be 5% instead of 6%, and in accordance with a request of the Bank of France, the renewal agreement will include a clause requiring amortization of the credit in an amount proportional to any increase in the average gold and foreign exchange reserves of the Reichsbank during the period of the renewal, as compared with the past three months; the reply stating that the Board will interpose no objections to these changes in the terms and conditions of the renewal of the credit.

Reply approved.

At this point Mr. Goldenweiser, Director of the Division of Research and Statistics, joined the meeting.

The Secretary presented a proposed draft of the text of the Federal Reserve Board's Annual Report for the year 1931, copies of which had been furnished previously to each member of the Board.

A discussion ensued and, after minor amendments, the report was approved for presentation to the Speaker of the House of Representatives and for release to the press on a date and at a time later to be determined by the Board.

At this point the Chairman joined the meeting.

The Board then considered a telegram dated June 6, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting

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approval of an advance by the Federal Reserve Bank of New York, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Jefferson Trust Company, Hoboken, New Jersey, in the amount of \$100,000, for a period of ninety days, at a rate of 5 1/2% per annum, and on the security of customers' collateral notes secured by miscellaneous listed securities and building and loan shares; the application for the advance being made as a result of the withdrawal from the trust company of a large municipal deposit.

Upon the unanimous vote of the members present, the advance was approved, subject to the terms and conditions recommended.

Reference was then made to memoranda dated May 23, 1932, from Mr. Goldenweiser, as Chairman of the Committee on Branch, Group and Chain Banking of the Federal Reserve System, and Mr. Smead, as Chairman of the System Committee on Member Bank Reserves, submitted at the request of Mr. Miller, in connection with the budgets of the Federal reserve banks for statistical and analytical work for the year 1932. Mr. Smead's memorandum reported that the expenses of his committee have amounted to \$22,591.22 to date and that there will be no further expenditures except those required to print the statistical tabulations and studies which were undertaken in the course of the committee's investigations. Mr. Goldenweiser's memorandum outlined the activities of, and work done by, his committee since its organization and reported that the expenses of the committee to April 15, 1932, amounted to \$108,000, and that it is estimated that expenditures from April 15 to the end of the committee's work which will be completed between October and the end of 1932, will amount to about \$35,000, exclusive of costs which may be incurred in printing the committee's report. Mr. Miller

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expressed the opinion that whatever value the committee's report might have would not justify the expense involved. He stated that, in his opinion, the necessary studies could have been completed before now, at a much smaller cost, had the scope of the committee's activities been more definitely planned at the inception of its investigation, which was initiated in the Spring of 1930. Mr. Goldenweiser stated that the personnel of the committee was the same as that of the System Committee on Member Bank Reserves, that it had not been practicable for them with their other duties to give much individual time to the work and that in view of the wide scope of the subjects to be covered it had been necessary to employ a number of people for a considerable length of time. He added that, while it might be possible to reduce the proposed future expenditures somewhat, an arbitrary reduction might mean the elimination of certain data which would be very valuable in the completed report.

Action was deferred on the matter.

The Secretary then stated that the Governor of the Federal Reserve Bank of San Francisco, as Chairman of the Governors' Conference, had advised of the appointment of Mr. Kenzel, Deputy Governor of the Federal Reserve Bank of New York, Mr. McKay, Deputy Governor of the Federal Reserve Bank of Chicago, and Mr. Clerk, Deputy Governor of the Federal Reserve Bank of San Francisco, as members of the committee suggested by the Board in its letter of May 6, 1932, for the purpose of making an investigation of American acceptance practice and recommendations for such correction of procedure and/or revision of the Board's rulings and regulations with regard to acceptances as may be found necessary or desirable. He raised the questions of Board representation on the committee and of the scope of the committee's

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activities, as having a bearing on the possible expenditures in connection with the investigation.

After some discussion, the Secretary was requested to have prepared for the use of the Board in this connection, a memorandum setting forth the rulings of the Board, and the changes which have been made in the Board's regulations with regard to acceptances, during the past 12 years, together with a tentative outline of information which might be desired by the Board in connection with its consideration of possible future changes in its rulings and regulations.

Reports of Standing Committee dated June 3 and 6, 1932, recommending

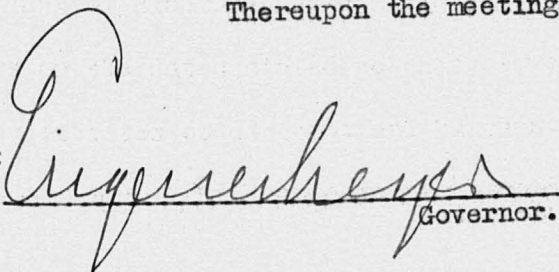
approval of the following changes in stock at Federal reserve banks:

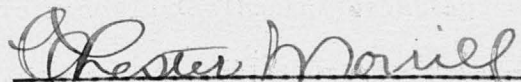
<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 3.</u> Miners National Bank, Shenandoah, Pa.	180	180
<u>Application for ADDITIONAL Stock:</u> <u>District No. 3.</u> Ridgway National Bank, Ridgway, Pennsylvania.	30	30
<u>Applications for SURRENDER of Stock:</u> <u>District No. 1.</u> Gloucester National Bank, Gloucester, Mass. (V.L. Suc. by Gloucester National Bank)	120	120
<u>District No. 2.</u> Liberty National Bank & Trust Company in New York, N. Y. (V.L.Abs. by Harriman National Bank & Trust Company)	1,950	1,950
<u>District No. 6.</u> First National Bank, Millen, Ga. (Decrease in surplus)	3	3
<u>District No. 10.</u> Security National Bank, Independence, Kans. (V.L.Abs. by Citizens-First National Bank of Independence)	300	300
	Total	2,373

Approved.

Thereupon the meeting adjourned.

Approved:


Governor.


Secretary.