

A meeting of the Federal Reserve Board was held on Thursday, June 9, 1932, at 12:20 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 minutes of the meetings of the Federal Reserve Board held on May 26 and June 3, 1932, were approved.

The Board then considered and acted upon the following matters:

Memorandum from the Secretary, approved by five members of the Board on June 6, recommending, with the concurrence of Mr. Paulger, Chief of the Division of Examinations, that Mr. L. A. A. Siems, Federal reserve examiner, be transferred from the field force to the Washington office of the Division of Examinations, where he has been on detail since March 12, 1932; that his salary be fixed at the rate of \$7,500 per annum; that Washington be designated as his home station; and that the payment to Mr. Siems of per diem allowance be discontinued as of that date except when it is necessary for him to travel outside of Washington on official business, all effective June 6, 1932.

Recommendations approved.

Telegrams dated June 7, 1932, from the Chairman of the Federal Reserve Bank of Dallas and June 9, 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.

6/9/32

-2-

Reports of the Committee on Salaries and Expenditures recommending approval by the Board of changes in the personnel classification plans at Federal reserve banks as follows:

Chicago: The creation in the Bond Department at the head office of a new division to be called the "Reconstruction Finance Corporation Custody Division" and the creation in that division of fifteen new positions.

The creation in the Fiscal Agency Department at the Detroit branch of a new division to be called the "Reconstruction Finance Corporation Custody Division" and the creation in that division of fifteen new positions.

St. Louis: The creation of the new position of "Clerk" in the custody department of the Louisville branch, to handle increased business of the Reconstruction Finance Corporation.

Recommendations approved.

Letter dated June 3, 1932, from the Chairman of the Federal Reserve Bank of St. Louis advising of the election of Mr. F. Guy Hitt, President of the First National Bank, Zeigler, Illinois, as a Class A director of the bank for the unexpired portion of the term ending December 31, 1934, to succeed Mr. John C. Martin, resigned.

Noted.

Letter dated June 1, 1932, from Deputy Governor Crane of the Federal Reserve Bank of New York advising of a further withdrawal on that date of \$1,000,000 from the bank's special deposit account with the Bank for International Settlements, leaving a balance in the account of approximately \$3,000,000 on deposit at sight and about \$2,000,000 invested in bills.

Noted.

Reply, approved by five members of the Board on June 8, to a letter

6/9/32

-3-

dated May 31, 1932, from the Federal Reserve Agent at Kansas City reporting that the Citizens National Bank, Okmulgee, Oklahoma, was continuously deficient in its required reserves during the period of six months ending May 15, 1932, and stating that the bank has manifested a strong desire, and is apparently doing everything possible, to maintain its legal reserves but has suffered substantial withdrawals of deposits during the past ten or twelve months without being able to effect a corresponding reduction in loans and investments; the reply stating that, in view of the circumstances outlined, the Board will take 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 his information.

Reply approved.

Reply to a letter dated May 24, 1932, from the Federal Reserve Agent at San Francisco reporting that the Stockgrowers and Farmers National Bank, Wallowa, Oregon, was continuously deficient in its required reserves during the period of eight and one-half months ending April 30, 1932; the reply stating that, in view of the information submitted by the agent and in accordance with his recommendation, the Federal Reserve Board is taking no action in the matter at this time other than to transmit a copy of his report to the Comptroller of the Currency for his information.

Reply approved.

Letter, approved by five members of the Board on June 8, 1932, to the Merchants and Farmers Bank of Greene County, Eutaw, Alabama, stating that the Federal Reserve Board has approved the bank's application for membership in the Federal Reserve System and for 66 shares of the capital stock of the Federal Reserve Bank of Atlanta subject to certain conditions

6/9/32

-4-

set forth in the letter.

Letter approved.

Letter to the Citizens National Bank in Waxahachie, Texas, stating that the Federal Reserve Board has considered the application for fiduciary powers filed by the bank through the Federal Reserve Agent at Dallas and has authorized the bank to act, when not in contravention of State or local law, as trustee, administrator and guardian of estates, only in the specific trusts in which the Citizens National Bank of Waxahachie had been appointed and was acting on December 31, 1930, when succeeded by the applicant bank. The letter also stated that action has been deferred on the bank's application for further trust powers until subsequent reports of examination disclose the progress which is being made by the institution.

Letter approved.

Letter to the Federal Reserve Agent at Dallas, approved by five members of the Board on June 8, referring to his letter of May 9, 1932, regarding the action taken by the board of directors of the Dallas bank in recommending that the Federal Reserve Board institute proceedings under the provisions of section 9 of the Federal Reserve Act to terminate the membership in the Federal Reserve System of the Citizens State Bank, Memphis, Texas; the Board's letter stating that, in view of the information submitted and inasmuch as it appears that the Citizens State Bank has violated the provisions of section 9 of the Federal Reserve Act in that it has failed to maintain the reserve required by law, the Federal Reserve Board has decided to institute proceedings looking toward the forfeiture of the membership of that bank. The letter also outlined the procedure to be followed by the Federal reserve agent in this matter and inclosed a

6/9/32

-5-

letter to the member bank, also approved by five members of the Board on June 8, to be forwarded by the Federal reserve agent, notifying the member bank that the Federal Reserve Board will afford the bank an opportunity for a hearing in the Board's offices in Washington, D. C., at 11:00 o'clock on the morning of July 14, 1932, at which time the bank's representatives may appear to show cause why the bank should not be required to surrender its stock in the Federal Reserve Bank of Dallas and to forfeit all rights and privileges of membership in the Federal Reserve System. The letter to the member bank stated further that, in the event the bank desires to waive its right to appear before the Board and provided it gives reasonable notice in advance both to the Federal Reserve Board and the Federal Reserve Agent at Dallas of its intention to appear before the Federal reserve agent, it may, through its representatives, appear before the agent on a date to be fixed by the latter to present such evidence as the bank may care to have transmitted to the Federal Reserve Board for its consideration.

Letters approved.

Reply, approved by six members of the Board on June 8, to a letter dated May 9, 1932, from the Federal Reserve Agent at Dallas transmitting for the approval of the Board a proposed amendment to section 8 of article IV of the by-laws of the San Antonio branch to provide for the election of each member of the branch board of directors as a permanent member of the executive committee; the reply stating reasons why the proposed amendment would not be desirable and suggesting a substitute for the present section 8 of article IV of the branch by-laws which would provide for a committee consisting of the managing director and four other directors, any two of whom may act, and which would permit the appointment of the four directors

6/9/32

-6-

residing in San Antonio as members of the Committee and permit them to serve in accordance with the proposed schedule of service contained in Managing Director Crump's letter of April 16, 1932, a copy of which was inclosed with the Federal reserve agent's letter.

Reply approved.

Telegram to the Governor of the Federal Reserve Bank of San Francisco, approved by five members of the Board on June 7, with reference to his telegram of June 1, replying to the Board's letter of May 27, 1932, and stating that the suggestion for the appointment of assistant Federal reserve agents at branches is from the bank's point of view, entirely impracticable, but that if the Board's decision not to increase the margin fixed in its letter of May 2, 1932, for the San Francisco bank is final, the Federal reserve agent will be requested immediately to appoint an assistant Federal reserve agent at the Los Angeles branch. The Board's telegram stated that the Board feels that the margin of \$400,000,000 fixed in its letter of May 2, is adequate for the System as a whole, but that the Federal Reserve Bank of New York has agreed to a reduction of \$10,000,000 in the margin fixed for that bank thereby permitting an increase by that amount in the margin of the Federal Reserve Bank of San Francisco; that this transfer would be effective on June 8 and that on and after that date the Federal Reserve Bank of San Francisco may offer and the Federal Reserve Agent at San Francisco may accept as collateral security for Federal reserve notes, direct obligations of the United States at par value provided its total cash reserves and eligible paper plus the amount of United States securities pledged with the Federal reserve agent do not at any time exceed the amount of Federal Reserve notes in circulation and the minimum 35% reserve

6/9/32

-7-

against deposits, by more than \$50,000,000.

Telegram approved, together with letter to the Governor of the Federal Reserve Bank of New York also approved by five members of the Board on June 7, inclosing a copy of the telegram to the Governor of the San Francisco bank and stating that as a result of the transfer, the margin for the Federal Reserve Bank of New York is reduced to \$100,000,000, effective June 8, 1932.

Letter to the Federal Reserve Agent at San Francisco inclosing a copy of a letter addressed to the Comptroller of the Currency by National Bank Examiner M. C. Wilde, Portland, Oregon, calling attention to the fact that the Albany State Bank, Albany, Oregon, is using the phrase "Under Government Supervision" in connection with the name of the bank as painted on its building, as well as in other signs and advertisements of the bank; the Board's letter stating that in its circular letter of February 28, 1923, (X-3649) the Board expressed the opinion that it is improper for State member banks to advertise that they are under Government supervision, and requesting that the agent advise the Albany State Bank of the Board's position and on behalf of the Board request it to discontinue the use of the phrase in its advertisements and in connection with its title.

Letter approved.

Letter to Mr. Shelley E. Tracy, President, Tracy-Locke-Dawson, Inc., Dallas, Texas, referring to his letter of May 24, 1932, setting out a plan for a series of display advertisements by Federal reserve banks in newspapers throughout the United States. The Board's letter stated that it does not feel that the adoption of the proposed plan by the Federal reserve banks would be desirable and regrets that it cannot see its way clear to give its approval to the plan.

Letter approved.

6/9/32

-8-

Reply, approved by four members of the Board on June 7, to a questionnaire dated March 21, 1932, from the Chief Coordinator with regard to the statistical activities of the Federal Reserve Board; the reply inclosing a copy of the recently approved organization chart of the Federal Reserve Board and reports on activities of the Board's Divisions of Bank Operations and Research and Statistics which come within the scope of the questionnaire.

Reply approved.

The Governor then referred to the policy of the Bank of France of repatriating gold through the conversion of its bank balances and bill holdings in this market. He stated that because of the physical limitations on the amounts of gold which can be imported by it, the Bank of France, in order to expedite its program, on several occasions recently has sold dollars in rather large amounts, and that Governor Harrison had discussed with him the idea of cabling the Governor of the Bank of France that if that institution, instead of continuing the present program, should desire immediately to earmark gold in an amount equivalent to the total amount of its bill holdings and bank balances in this market, such action would be agreeable to the Federal Reserve Bank of New York. Governor Meyer stated that he had advised Governor Harrison that he agreed that such action would be desirable, and he requested an expression from the members of the Board as to their feeling in the matter.

During the discussion which followed the members present concurred in the opinion expressed by Governor Meyer.

Reports of Standing Committee dated June 8, 1932, recommending approval of the following changes in stock at Federal reserve banks:

6/9/32

-9-

<u>Application for ADDITIONAL Stock:</u>		<u>Shares</u>	
<u>District No. 2.</u>			
Marine Trust Company, Buffalo, N. Y.		3,000	3,000
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 5.</u>			
First National Bank, Henderson, N. C. (Insolvent)		140	
Beckley National Exchange Bank, Beckley, W. Va.			
(Cons. National Exchange Bank and Beckley			
National Bank under the title above.)		<u>45</u>	185
<u>District No. 8.</u>			
First National Bank, St. Peter, Ill. (V.L.Abs.			
by Farmers & Merchants State Bank)		24	24
<u>District No. 10.</u>			
First National Bank, Forgan, Oklahoma. (V.L.Abs.			
by First State Bank)		<u>18</u>	<u>18</u>
		<u>Total</u>	<u>227</u>

Approved.

Reports of Standing Committee dated June 8, 1932, recommending approval of the following Clayton Act applications.

Mr. Walter W. Schneckenburger, for permission to serve at the same time as director of the Northern New York Trust Company of Watertown, New York, as director of the First and Second National Bank and Trust Company of Oswego, New York, and as director of the Manufacturers National Bank of Troy, New York.

Mr. Joseph H. Brewer, for permission to serve at the same time as director and officer of the Grand Rapids National Bank of Grand Rapids, Michigan, and as director of the National Bank of Ionia, Ionia, Mich.

Mr. W. L. McDonald, for permission to serve at the same time as director of the First National Bank in Madill, Madill, Oklahoma, as director of the First National Bank of Waynoka, Oklahoma, and as officer of the Exchange National Bank of Tulsa, Oklahoma.

Mr. J. H. Kurth, Jr., for permission to serve at the same time as director and officer of the Lufkin National Bank of Lufkin, Texas, and as director of the City Savings Bank and Trust Company of Shreveport, La.

Approved.

Thereupon the meeting adjourned.

Approved:

Governor.

Secretary.