

A meeting of the Federal Reserve Board was held on Thursday, June 23, 1932, at 10:50 a. m.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel.

The Board considered and acted upon the following matters:

Memorandum dated June 22, 1932, from the Director of the Division of Research and Statistics requesting authority for the purchase, at a price of \$472, of a dictaphone machine for use in that division.

Authority granted as requested.

Memorandum dated June 23, 1932, from the Director of the Division of Research and Statistics requesting authority to employ two men for a period of not exceeding four days, at a rate of 40¢ per hour, for the purpose of assisting in arranging the books in the library after their removal to the new offices of the Division in the Shoreham Building.

Authority granted as requested.

Memorandum dated June 17, 1932, from Mr. Noell, Fiscal Agent, recommending that the Board levy an assessment on all Federal reserve banks of nine hundred and twenty-six ten thousandths of one per cent (.000926) of their total paid-in capital and surplus as at the close of business on June 30, 1932, to cover the expenses of the Federal Reserve Board for the six months period beginning July 1, 1932.

Upon motion, the following resolution was adopted:

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WHEREAS, under Section 10 of the act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees, for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year; and

WHEREAS, it appears from estimates submitted to and considered by the Federal Reserve Board that it is necessary that a fund equal to nine hundred twenty-six ten thousandths of one per cent (.000926) of the total paid-in capital stock and surplus of the Federal reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes;

NOW, THEREFORE, BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, That:

(1) There is hereby levied upon the several Federal reserve banks an assessment in an amount equal to nine hundred twenty-six ten thousandths of one per cent (.000926) of the total paid-in capital and surplus of each such bank at the close of business on June 30, 1932;

(2) Such assessment shall be paid by each Federal reserve bank in two equal installments on July 1, 1932, and September 1, 1932, respectively; by crediting the amount thereof on the books of the Federal reserve bank in the General Account of the Treasurer of the United States, for credit to the Federal Reserve Board in an account designated and known as "Salaries and Expenses, Federal Reserve Board, Special Fund;"

(3) For each such installment of such assessment, each Federal reserve bank shall issue and send to the Treasurer of the United States a certificate of deposit evidencing said deposit and the fact that it is in payment of the assessment levied by the Federal Reserve Board for its general expenses and is to be credited to the Federal Reserve Board in an account designated and known as "Salaries and Expenses, Federal Reserve Board, Special Fund;" and

(4) A duplicate copy of each such certificate of deposit, together with a statement showing the amount of the capital and surplus of the Federal reserve bank at the close of business on June 30, 1932, shall be sent to the Federal Reserve Board on the date of the payment of each installment.

Telegraphic reply, approved by three members of the Board on June 21, to a telegram dated June 17, 1932, from Deputy Governor Rounds of the

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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 Sunrise National Bank and Trust Company, Baldwin, New York, in the amount of \$15,000, for a period of ninety days, at a rate of 5 1/2% per annum, and on the security of ineligible unsecured notes amounting to \$27,000; the advance being desired to enable the bank to restore its reserves which have been deficient for the past few months. The reply stated that the Board does not feel that the circumstances outlined justify it in taking favorable action on the application.

Reply approved.

Telegraphic reply to a wire dated June 22, 1932, 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 Haledon National Bank, Haledon, Paterson Post Office, New Jersey, in the amount of \$50,000, for a period of ninety days, at a rate of 5 1/2% per annum, and on the security of miscellaneous bonds with a market value of \$72,015; the advance being desired to meet the expected withdrawal of a deposit in the amount of \$45,000. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Reply unanimously approved.

Reply, approved by four members of the Board on June 22, to a letter dated June 6, 1932, from the Federal Reserve Agent at Boston, with regard to the transaction by which the Manchester Trust Company, South Manchester, Connecticut, acquired a portion of the assets of the Home Bank and Trust Company of South Manchester as security for assuming certain

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liabilities of that institution effective as of the close of business on January 4, 1932; the reply stating that the information submitted indicates that the transaction has resulted in no material change in the general character of the assets of the Manchester 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 reply also requested that the Board be advised as to what steps are being taken by the management of the Manchester Trust Company to improve its condition and as to whether or not the agent has discussed with the management of the institution the question of disposing of shares of its own stock held in its assets.

Reply approved.

Reply to a letter dated May 26, 1932, from the Federal Reserve Agent at Kansas City relative to the condition of the Fidelity State Bank, Aurora, Nebraska; the reply stating that, in accordance with the agent's suggestion, the Board will take no action at this time to terminate the membership of the bank, but that it is assumed that the agent will keep the Board advised of further developments in the bank's condition and will forward any recommendation which he may consider necessary in the light of developments. The reply also referred to the absorption by the Fidelity State Bank of the Giltner State Bank, Giltner, Nebraska, as of July 25, 1931, which had previously been reported to the Board as an excess loan made to enable the Giltner State Bank to pay its depositors in full and enter into voluntary liquidation, on which basis the Board interposed no objection

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to the transaction, and requested that, in view of the fact that it has since developed that the member bank actually assumed the deposit liabilities of the Giltner State Bank, the Board be furnished with information regarding the transaction and advice as to whether it resulted in any change in the bank's legal status as a member institution, independently of a change in the general character of the assets of the member bank 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. The reply further outlined briefly the procedure which is being followed at other Federal reserve banks in connection with consolidations in which member banks are involved.

Reply approved.

Letter to the Ontario County Trust Company, Canandaigua, New York, approved by five members of the Board on June 22, 1932, stating that the Federal Reserve Board has approved the bank's application for membership in the Federal reserve system and for 240 shares of the capital stock of the Federal Reserve Bank of New York, subject to certain conditions set forth in the letter.

Application and letter approved.

Reply, approved by four members of the Board on June 21, to a letter dated April 20, 1932, from the Federal Reserve Agent at Richmond reporting that the First National Bank of Spartanburg, South Carolina, was continuously deficient in its required reserves for a period of six months; the reply stating that it is noted from the report of a recent examination that the member bank is in a very serious condition, that it is understood from the office of the Comptroller of the Currency that officials of the bank are negotiating with that office the matter of remedying the situation, and that

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in view of this information and the agent's recommendation, the Board is taking no action in the premises 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, approved by five members of the Board on June 21, to a letter dated June 10, 1932, from the Federal Reserve Agent at St. Louis inclosing an application signed by the president of the First-Mercer National Bank of Harrodsburg, Kentucky, for the surrender of the Federal reserve bank stock held by the bank; the reply stating that inasmuch as the national bank does not intend to go into voluntary liquidation and since the Federal Reserve Act authorizes cancellation of the Federal reserve bank stock held by a national bank only when it is placed in voluntary liquidation or when a receiver is appointed for such bank, the Board cannot properly authorize the cancellation of the Federal reserve bank stock issued to the First-Mercer National Bank unless the bank is placed in voluntary liquidation or in the hands of a receiver. The reply also suggested that the agent consider the advisability, after the expiration of sixty days from the date the member bank ceased to do business, of making a recommendation that the Comptroller of the Currency be requested to appoint a receiver, in accordance with the provisions of the Federal Reserve Act and the Board's Regulation I.

Reply approved.

Reply, approved by four members of the Board on June 21, to a letter dated June 9, 1932, from the Federal Reserve Agent at Minneapolis stating that his office had been approached by the principal stockholders of the Builders Trust Company of Minneapolis regarding the possibility of

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that company becoming a member of the Federal reserve system, and inquiring whether in the opinion of the Board, the company is eligible for membership; the reply stating that it appears from the information submitted that the trust company is in reality a holding company with authority to exercise trust powers, its funds being invested principally in Government and miscellaneous bonds, that the trust company has no deposits and, therefore, would not be required to maintain any reserve with the Federal reserve bank, that the company does no commercial banking business and would have no paper eligible for rediscount with the Federal reserve bank, and that apparently the reason for desiring membership is to obtain a 6% investment in stock of the Federal reserve bank. The reply also referred to the provisions of section 9 of the Federal Reserve Act, requiring that the Board consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of the Federal Reserve Act, and stated that the Board feels that the business of the trust company is not of the character contemplated by the Federal Reserve Act for member banks of the System and the Board therefore, would not be inclined to approve an application for membership from the company.

Reply approved.

Reply, approved by four members of the Board on June 22, to a letter dated May 25, 1932, from Mr. John L. Proctor, Deputy Comptroller of the Currency, with regard to the use of the phrase "Member Federal reserve" on checks of the Security State Bank of San Juan, Texas, which is not a member of the Federal reserve system; the reply stating, on the basis of advice received from the Federal Reserve Agent at Dallas, that the Security State

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Bank submitted an application for membership in April of this year, which application was subsequently withdrawn, and had apparently ordered a supply of checks bearing the words "Member Federal reserve" in anticipation of completion of membership, that the bank has arranged to have these words blocked out on the remainder of the checks, and that no checks including the objectionable words have been put into use recently.

Reply approved.

Reply, approved by four members of the Board on June 21, to a letter dated June 9, 1932, from the Federal Reserve Agent at Dallas, requesting advice as to whether it is necessary, in connection with Clayton Act applications, to obtain new statements of the banks involved when similar statements of the same banks of a fairly current date have been submitted with previous applications; the reply stating that when a number of applications are submitted at the same time, the Board does not object if such applications are accompanied by only one statement for each bank involved and one copy of its last published report of condition, but that where applications involving the same banks are submitted at different times it is desirable, and facilitates the Board's consideration of the applications, to have copies of the statements of the banks involved and copies of their last published reports of condition accompany each application; and, therefore that the agent is requested, in the latter circumstances, to submit with each application a statement on the Board's form 94a of each bank involved and a copy of its last published report of condition.

Reply approved.

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Reply, approved by four members of the Board on June 21, to a letter dated June 10, 1932, from McDermott, Enright and Carpenter, attorneys, of Jersey City, New Jersey, requesting a certified copy of the certificate issued by the Federal Reserve Board to the Hudson County National Bank of Jersey City, when it granted that bank permission to exercise fiduciary powers under the provisions of section 11(k) of the Federal Reserve Act; the reply inclosing a certificate showing that on January 31, 1928, the Federal Reserve Board granted to the national bank full fiduciary powers. The letter also stated that if the inclosed certificate does not answer the purpose for which it was requested and there is returned to the Board the permit issued to the national bank on January 31, 1928, the Board will forward a certified copy of such permit.

Reply approved.

Telegram to the Governors of all Federal reserve banks outlining the manner in which the Federal Reserve Board desires reported to it the collateral accepted as security for advances under sections 10(a) and 10(b) of the Federal Reserve Act, and stating that it is important that not only the letter but the spirit, as well, of the prohibition of the law against the acceptance of obligations of any foreign government, individual, partnership, association, or corporation organized under the laws thereof, be strictly observed.

Telegram approved.

Reply to a letter dated May 26, 1932, from the Governor of the Federal Reserve Bank of Richmond advising that the margin of \$15,000,000, fixed for the Richmond bank in the Board's letter of May 2, 1932, with regard to the pledging of Government securities as collateral for Federal reserve

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notes, is too restrictive for comfortable operation; the reply outlining the formula used by the Board in arriving at the figures fixed for the several Federal reserve banks and stating that the matter was discussed with Mr. Walden, Controller of the bank, when he was in Washington last week, at which time certain suggestions were made for meeting the situation at Richmond. The reply also stated that the Board appreciates that the bank's problem of keeping within the \$15,000,000 margin has been made much more difficult in the past two weeks by rather wide fluctuations in the deposits of the bank, partly as a result of the building up of substantial excess reserves by member banks.

Reply approved.

The Governor then stated that he understood from a telephone conversation today with Governor Harrison of the Federal Reserve Bank of New York that the board of directors of the bank, at its meeting this afternoon, will give further consideration to the discount rate at the bank and, in all probability, will vote to reduce the rate to 2 1/2%. A general discussion ensued in which it was the consensus that since exports of gold have now practically ceased and the existing discount rate is out of line with current market rates, there would seem to be no reason why the Board should not approve a reduction to 2 1/2% in the discount rate of the New York bank, should the directors decide to take such action.

At the conclusion of the discussion, the Secretary was authorized, in the event of receipt of advice today of action of the board of directors of the New York bank establishing a discount rate of 2 1/2% on all classes of paper of all maturities, to advise the New York bank of the Board's approval of such rate, effective tomorrow, June 24, 1932.

The Governor was also requested, in the event of a reduction in the discount rate at the New York bank, to

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inquire of Governor Harrison as to whether the directors gave any consideration to the effective buying rate of the bank on acceptances, which is now 2 1/2% on acceptances up to 120 days, whereas the minimum buying rate authorized by the Federal Reserve Board is 1%.

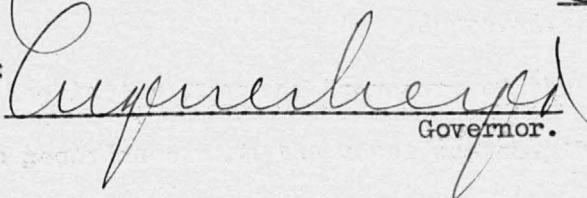
Reports of Standing Committee dated June 20, 21, and 22, 1932, recommending approval of the following changes in stock at Federal reserve banks:

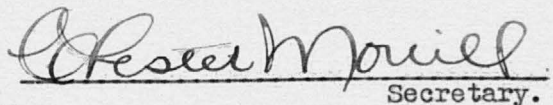
<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 10.</u>		
First National Bank in Loup City, Nebraska.	15	15
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 5.</u>		
Bayard National Bank, Bayard, W. Va. (Insolvent)	24	24
<u>District No. 6.</u>		
Peoples Bank of Carrollton, Ga. (Insolvent)	54	54
<u>District No. 7.</u>		
First National Bank, Rock Falls, Ill. (Insolvent)	45	45
<u>District No. 10.</u>		
Oakland State Bank, Oakland, Nebr. (Insolvent)	21	21
<u>District No. 11.</u>		
Texas National Bank, Beaumont, Texas. (V.L.Abs. by First National Bank of Beaumont)	210	
Liberty National Bank, Waco, Texas. (Insolvent)	<u>216</u>	426
<u>District No. 12.</u>		
LaGrande National Bank, LaGrande, Oregon. (V.L. Suc. by First National Bank of LaGrande)	<u>151</u>	<u>151</u>
	<u>Total</u>	<u>721</u>

Approved.

Thereupon the meeting adjourned.

Approved:


Governor.


Secretary.