

A meeting of the Federal Reserve Board was held on Wednesday,
July 13, 1932, at 12:00 o'clock noon.

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:

Telegram dated July 12, 1932, from Deputy Governor Crane of the Federal Reserve Bank of New York advising that the central bank credit to the Austrian National Bank has been renewed in full by all participants for three months from July 16, 1932, on the same terms as the previous renewal and subject to a condition that the Austrian National Bank repay the credit in its entirety before the expiration of the period of three months if, during the said period, funds resulting from a loan to the Austrian Government at present under negotiation are placed at the disposal of the Government or the National Bank.

Ordered circulated.

Telegraphic reply, approved by five members of the Board on July 12, to a letter dated July 8, 1932, from the Federal Reserve Agent at Chicago, advising that the Federal Reserve Board authorizes the Federal Reserve Bank of Chicago, in its discretion, for a period of six months from July 12, 1932, to rediscount for the Citizens State Bank, Jamestown, Indiana, good and eligible paper acquired from or bearing the signature or indorsement of the State Bank of Lizton, Indiana; it being understood that no such paper will be rediscounted until the Citizens State Bank has first

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utilized all other paper in its portfolio which is eligible and acceptable to the Federal reserve bank for rediscount.

Approved.

Telegraphic reply, approved by five members of the Board on July 12, to a letter dated July 7, 1932, from the Federal Reserve Agent at Chicago, advising that the Federal Reserve Board authorizes the Federal Reserve Bank of Chicago, in its discretion, for a period of six months from July 12, 1932, to rediscount for The Security National Bank, Sioux City, Iowa, good and eligible paper acquired from or bearing the signature or indorsement of nonmember banks; it being understood that no such paper will be rediscounted until The Security National Bank has first utilized all other paper in its portfolio which is eligible and acceptable to the Federal reserve bank for rediscount.

Approved.

Memorandum from the Secretary dated July 13, 1932, advising that in connection with the transfer of certain activities previously coming under the Secretary's office to the Division of Bank Operations and the Division of Examinations, effective July 1, 1932, certain transfers of employees from the Secretary's office to the divisions named were also necessary and that six months' salary of each of the transferred employees and one-half of the year's allowance for part time employees of the Gold Settlement Division who were transferred to the Division of Bank Operations, are being transferred from the budget of the Secretary's office to the budgets of the appropriate divisions.

Noted with approval.

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The Governor then referred to the amendment to section 13 of the Federal Reserve Act, contained in the Senate amendment to H. R. 9642, which was discussed at the meeting of the Board yesterday. It was stated that, in accordance with the action of the Board, Mr. Miller promptly communicated with the President of the United States, and, at the latter's suggestion, with Senator Glass, the sponsor of the amendment, explaining the Board's position regarding it. The Governor stated that the bill, including the amendment, was passed by the Senate yesterday afternoon or evening and that, from discussions which he and Secretary Mills had had with members of Congress this morning, he believed the amendment would be embodied in the unemployment relief bill when passed. He stated that he had, therefore, confined his discussions for the greater part to questions as to the intent of various provisions of the amendment, although he had suggested the modification or elimination of the provision that notes, drafts and bills of exchange acquired by the Federal reserve banks from individuals and corporations should not be accepted by Federal reserve agents as collateral security for Federal reserve notes. He stated that he had suggested, after discussion with Mr. Miller, that the inclusion of this provision carried the implication that the paper which might be acquired by Federal reserve banks from individuals and corporations would not meet the same standards as paper acquired from member banks under existing provisions of law. He also stated that he thought that as a result of the discussion this provision would be modified or eliminated. There was further discussion during which some members of the Board expressed strong disapproval of the procedure by which the proposed amendment had been incorporated in the pend-

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ing legislation without a reasonable opportunity for the Board to consider it carefully or for the Federal reserve banks and member banks to be informed as to its pendency and to be accorded a hearing upon it if they desired to express their views.

Mr. James stated that he wished to be recorded as protesting on behalf of the Federal reserve banks and the member banks of the Federal reserve system, who are vitally interested in all important amendments to the Federal Reserve Act, against the method by which the amendment under discussion is being made.

Mr. Magee also stated that he wished to be recorded as being opposed to such procedure.

Other members concurred in the disapproval of the procedure, but expressed the feeling that the amendment had meritorious aspects and that, properly administered under suitable limitations, it might prove to be a helpful factor in relieving unsatisfactory credit conditions.

Mr. Miller suggested that the question of rules, regulations and procedure under the amendment, if enacted, be discussed with the Governors of the Federal reserve banks who are meeting in Washington on Thursday and Friday.

Counsel was requested to prepare tentative suggestions in writing as to regulations that might be adopted by the Board, as a basis for discussion at another meeting of the Board to be held later in the day.

Reports of Standing Committee dated July 12 and 13, 1932, recommending approval of the following changes in stock at Federal reserve banks:

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Application for ORIGINAL Stock:

Shares

District No. 2.

First National Bank, Belvidere, New Jersey.

90

90

Application for SURRENDER of Stock:

District No. 12.

Carbon Emery Bank, Price, Utah. (V.L.Cons. with
Price Commercial & Savings Bank, Price, Utah,
member)

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Approved.

Thereupon the meeting adjourned.

Peter Nouieff
Secretary.

Approved:

C. J. [Signature]
Governor.