

A meeting of the Federal Reserve Board was held in Washington on Tuesday, July 19, 1932, at 11:35 a. m.

PRESENT: Governor Meyer
Mr. Hamlin
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:

Letter dated July 14, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated July 13, 1932, from the Chairman of the Federal Reserve Bank of Boston and July 14, 1932, from the Chairman of the Federal Reserve Bank of Richmond, 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.

Reply, approved by four members of the Board on July 16, to a letter dated July 1, 1932, from the Comptroller of the Currency recommending approval of a salary at the rate of \$5,400 per annum for National Bank Examiner David H. Reimers, assigned to the Seventh Federal Reserve District; the reply stating that the Board has approved the salary recommended.

Salary and reply approved.

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

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St. Louis:

The creation in the Collateral and Collection Division, Reconstruction Finance Corporation Department of the head office, of five new positions, and a change in the titles of two positions; these changes being made necessary by expansion in the work handled for the Reconstruction Finance Corporation.

Kansas City:

The creation in the Fiscal Agent-Reconstruction Finance Corporation Department of the Omaha branch of the new position "Assistant Clerk in Charge."

Recommendations approved.

Letter dated July 7, 1932, from the Assistant Federal Reserve Agent at Dallas advising of the death on June 14, 1932, of Mr. George D. Flory, a director of the El Paso branch of the Dallas bank, and stating that the board of directors of the bank, at its meeting on July 7, appointed Mr. Sam D. Young, Vice-President of the El Paso National Bank, as a director of the El Paso branch for the unexpired portion of the term ending December 31, 1933, to succeed Mr. Flory.

Noted.

Telegraphic replies, approved by five members of the Board on July 14, 1932, to telegrams of that date from Deputy Governor Paddock of the Federal Reserve Bank of Boston, requesting an extension to July 29, 1932, of the authorities previously granted by the Board to the Federal Reserve Bank of Boston to advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Quincy Trust Company, Quincy, Massachusetts, the Worcester Bank and Trust Company, Worcester, Massachusetts, and the Peoples National Bank, Southbridge, Massachusetts, not to exceed \$250,000, \$1,000,000, and \$75,000, respectively, at a rate

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of 5 1/2% per annum, and payable on demand; the replies stating that the Federal Reserve Board extends the authorities to July 29, 1932, as requested by the bank.

Replies unanimously approved.

Telegraphic reply, approved by five members of the Board on July 13, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority to make an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Atlanta National Bank, Atlanta, New York, in the amount of \$5,000, for a period of ninety days, at a rate of 5 1/2% per annum, and on the security of miscellaneous collateral with a market value of \$7,378.75; the advance being desired to meet the withdrawal of school district deposits and the expected withdrawal of a relatively large individual deposit. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Reply unanimously approved.

Telegraphic reply, approved by five members of the Board on July 16, to a telegram dated July 15, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority to make an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the Bank of Depew, 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 miscellaneous collateral and ineligible municipal notes with a margin of at least 25%; the advance being desired to meet the withdrawal of a large municipal deposit. The reply stated that the Board authorizes the advance

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subject to the terms and conditions recommended.

Reply unanimously approved.

Telegraphic reply, approved by five members of the Board on July 14, to a letter dated July 12, 1932, from the Federal Reserve Agent at Chicago, recommending approval by the Board of the application of the Live Stock National Bank, Sioux City, Iowa, for permission to rediscount paper acquired from nonmember banks; the reply stating that the Board authorizes the Federal Reserve Bank of Chicago, in its discretion, for a period of six months from July 14, 1932, to rediscount for the Live Stock National Bank good and eligible paper acquired from or bearing the signature or indorsement of nonmember banks. The reply also stated that it is the opinion of the Board that no such paper should be rediscounted for the national bank until it has first utilized all other paper in its portfolio which is eligible and acceptable to the Federal reserve bank for rediscount.

Reply approved.

Telegraphic reply, approved by three members of the Board on July 15, to a letter dated July 7 and telegrams dated July 15, 1932, from the Federal Reserve Agent at Chicago recommending approval of the application of the City National Bank, Clinton, Iowa, for permission to rediscount paper acquired from nonmember banks; the reply stating that the Board authorizes the Federal Reserve Bank of Chicago, in its discretion, for a period of six months from July 15, 1932, to rediscount for the City National Bank good and eligible paper acquired from or bearing the signature or indorsement of the nonmember banks listed in the agent's second wire of July 15. The reply also stated that it is the opinion of the Board that no such paper should be rediscounted for the bank until it 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.

Reply approved.

Reply, approved by five members of the Board on July 14, to a memorandum dated June 25, 1932, from the Comptroller of the Currency recommending approval of the application of the Ballston Spa National Bank, Ballston Spa, New York, for permission to reduce its capital stock from \$200,000 to \$100,000 or less, through a reduction in the par value of the outstanding stock of the bank from \$100 to \$50 per share or less, the bank's capital to be immediately increased from \$100,000 or less to \$200,000 by the sale of a sufficient number of shares of stock at twice the par value to provide for such increase and premium of corresponding amount, the released capital and premium received from the sale of the new stock to be applied to the bank's undivided profits or a reserve account. The reply stated that, with the understanding that the reduction in capital will be authorized by a vote of shareholders owning two-thirds of the stock of the national bank and that arrangements will be made whereby the liabilities of the national bank for circulation outstanding will at no time exceed the amount of its capital, the Federal Reserve Board approves the proposed reduction in capital, under the plan submitted, subject to the following conditions:

- "1. That the capital of the bank shall not be reduced to an amount less than \$50,000.
- "2. That the bank's capital shall be immediately increased to \$200,000 by selling at twice the par value a sufficient number of shares of new stock to provide for such increase and a premium of a corresponding amount, such stock to be sold to persons or concerns who have knowledge as to the present condition of the bank and the use to which the released capital and the premium on the new stock are to be applied.

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- "3. That no part of the reduction shall be returned to stockholders, but that the released capital and such premium as is received from the sale of the new stock shall be transferred to the bank's undivided profits, or a reserve account, and such funds used to charge off estimated losses of \$97,023, as shown by the report of examination of the institution as of January 30, 1932, if such estimated losses have not already been eliminated.
- "4. That the funds for the purchase of the new stock shall be on deposit in the bank in a special account for that purpose before the decrease becomes effective."

Capital reduction and reply approved.

Reply, approved by six members of the Board on July 14 to a letter dated July 6, 1932, from the Federal Reserve Agent at Richmond with regard to apparent violations of certain of the conditions under which the Peoples Bank, Bishopville, South Carolina, was admitted to membership in the Federal Reserve System, which were indicated in the analysis of the report of examination of that bank as of June 6, 1932; the reply noting that it has been suggested to the president of the member bank that formal meetings of the bank's board of directors be held and minutes made of such meetings, and requesting that the agent obtain advice as to what definite action has been taken by the bank with regard to this suggestion and as to how frequently it is proposed to hold such meetings. The reply also requested advice with regard to the bank's compliance with the membership condition requiring periodical approval of loans by the board of directors of the bank, and, further, as to what correction has been effected in the matter of the checks drawn by a company in which one of the directors of the bank is interested and which are held in the bank's cash items.

Reply approved.

Reply, approved by five members of the Board on July 18, to a

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letter dated July 6, 1932, from the Federal Reserve Agent at St. Louis reporting that the First National Bank of Odin, Illinois, was continuously deficient in its required reserves during the period of six months ended June 15, 1932; the reply stating that, in view of the information submitted, from which it would seem that the national bank is making an earnest effort to restore its reserves to the required amount, the 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. The reply also requested that the agent advise the Board within a reasonable time as to whether the bank has restored and is maintaining its required reserves.

Reply approved.

Letter to the Nyack National Bank and Trust Company, Nyack, New York, approved by three members of the Board on July 16, 1932, referring to the change in the name of the Nyack National Bank, Nyack, New York, to the Nyack National Bank and Trust Company, and inclosing a certificate showing the trust powers heretofore granted to the bank under its former name and stating that the bank is authorized to exercise such powers under its new name.

Certificate and letter approved.

Letter, approved by three members of the Board on July 16, 1932, to the American National Bank, Beaumont, Texas, which institution was formed on June 15, 1932, through consolidation under the Act of November 7, 1918, of the City National Bank of Beaumont and the American National Bank of Beaumont, under the charter and title of the latter; the letter transmitting a certificate of the consolidated bank's authority to exercise

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the fiduciary powers previously granted to the constituent national banks.

Letter and certificate approved.

Reply, approved by four members of the Board on July 16, to a letter dated June 29, 1932, from the Vice-President of the Bank of Rockville Centre Trust Company, Rockville Centre, New York, to the Deputy Comptroller of the Currency, with reference to obtaining a release of bonds which the First National Bank of Rockville Centre deposited with the authorities of the State of New York in connection with the operation of its trust department, all of the business of which has recently been assumed by the Bank of Rockville Centre Trust Company. The reply referred to the procedure outlined in section 11(k) of the Federal Reserve Act and the Board's Regulation F with regard to the surrender of trust powers by a national bank, and suggested that since the First National Bank of Rockville Centre has been placed in voluntary liquidation, it would probably be more expeditious and less expensive for the State authorities to satisfy themselves that the bank has been relieved of all of its duties as fiduciary by making their own inspection or examination of the bank's condition or by such other means that they may consider expedient, but that if the national bank finds it necessary to obtain a formal certificate from the Federal Reserve Board to secure the release of the securities, it should proceed in accordance with the provisions of Regulation F.

Letter approved.

Letter to the Planters National Bank, Fredericksburg, Virginia, stating that the Board has approved the application filed by the bank through the Federal Reserve Agent at Richmond for permission to act, when

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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 Virginia, 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 First National Bank in Sioux City, Iowa, stating that the Federal Reserve Board has approved the application filed by the bank through the Federal Reserve Agent at Chicago 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 to act under the laws of the State of Iowa, 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 Mr. W. C. Thompson, Vice-President of the French American Banking Corporation, New York City, New York, approved by three members of the Board on July 16, acknowledging receipt of his letter of July 13, 1932, advising that at a meeting of the board of directors of the corporation on

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that date, Mr. Paul Duran was elected a director to replace Mr. Maurice Silvester, who was not reelected at the annual meeting.

Noted.

Reply, approved by six members of the Board on July 14, to a letter dated July 7, 1932, from the Federal Reserve Agent at Dallas, stating that the amendment to section 8 of article IV of the by-laws of the San Antonio branch, in the form suggested in the Board's letter of June 8, 1932, has been adopted by the board of directors of the branch and formally approved by the board of directors of the Dallas bank, and requesting advice of the Board's approval of the amendment. The reply stated that the Board approves the amendment as adopted.

Reply approved.

Reply, approved by five members of the Board on July 16, to a letter dated June 27, 1932, from the Federal Reserve Agent at Philadelphia inquiring whether the Lycoming Trust Company, Williamsport, Pennsylvania, should be required to maintain reserves against certain "collateral certificates" issued to its customers as evidence of amounts paid to the company to secure loans made to such customers and to be used only for paying the loans or renewals thereof and for no other purpose; the reply stating that it is the opinion of the Board that the amounts evidenced by such certificates fall within the principle of the ruling published in the Federal Reserve Bulletin for 1931 at page 538, with respect to deposits received by member banks in connection with certain "personal loans" and, accordingly, constitute deposits within the meaning of section 19 of the Federal Reserve Act against which reserves should be maintained.

Reply approved.

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Reply, approved by six members of the Board on July 14, to a letter dated July 6, 1932, from Mr. A. E. Duncan, Chairman of the Board of the Commercial Credit Company, Baltimore, Maryland, with further regard to the eligibility of the paper of factors engaged principally in the textile business in New York City; the reply stating that the Board is willing at any time, upon request of any Federal reserve bank which may desire its opinion, to consider information concerning the purpose for which the proceeds of the paper of the Commercial Credit Company are used which may tend to establish the eligibility of such paper for rediscount under the provisions of the Federal Reserve Act and the Board's regulations. The reply further stated that it is the Board's view that a discussion of the eligibility of paper of other companies not engaged in the same line of business is not helpful in determining the eligibility of the paper of the Commercial Credit Company.

Reply approved.

Reply, approved by three members of the Board on July 16, to a letter dated June 15, 1932, from the Chief Clerk of the Bureau of the Census of the Department of Commerce, requesting, for inclusion in the official register of the United States, an up-to-date list of the officers and employees of the Federal Reserve Board occupying administrative and supervisory positions and their salaries; the reply stating that inasmuch as the law providing for the publication of the register relates to "persons occupying administrative and supervisory positions in each executive and judicial department of the Government, including the District of Columbia, in connection with which salaries are paid from the Treasury of the United States," and in view of the fact that the members and employees of the

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Board do not occupy positions in any executive or judicial department of the Government and the further fact that, under the Federal Reserve Act, all expenses of the Federal Reserve Board, including salaries of its members and its employees, are paid from assessments against the Federal reserve banks, it seems clear that the Federal Reserve Board does not come within the provisions of the law referred to and that, in these circumstances, the list requested is not being submitted.

Reply approved.

Memorandum dated July 5, 1932, from Mr. Vest, Assistant Counsel, discussing in detail various questions regarding the application to the Federal Reserve Board of the provisions of the so-called National Economy Act, Public Act No. 212.

The memorandum, having been previously circulated among the members of the Board, was noted.

The Secretary then stated that Senator Walsh of Montana had requested, for use in a speech to be delivered before the Montana State Bankers Association on July 21, 1932, information as to the loans which have been made under the provisions of sections 10(a) and 10(b) of the Federal Reserve Act. Mr. Morrill stated that he had advised Senator Walsh's secretary, through whom the request was made, that this information has not yet been made public by the Board and that it would, therefore, be necessary to present the request to the Board.

Discussion ensued as to the desirability of publishing the information periodically and as to compliance with Senator Walsh's request.

At the conclusion of the discussion, the Secretary was authorized to inform Senator Walsh's secretary as to the total amount of advances made

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under section 10(b) of the Federal Reserve Act as shown by the mail reports received from the Federal Reserve Banks up to yesterday (no advances having been made to date under section 10(a)).

At this point the Chairman joined the meeting.

Reference was made to the amendment to section 13 of the Federal Reserve Act contained in section 210 of the new Unemployment Relief and Construction Act, H. R. 9642. It was suggested that, in view of the repeated statements which are being made that business is unable to obtain adequate credit accommodations, it would be advisable to request the various Federal reserve banks to make a canvass of their respective districts and ascertain what the situation actually is.

A general discussion ensued, at the conclusion of which it was decided to address a letter to the Governors of all Federal reserve banks stating that it is the desire of the Board that the Federal reserve banks, in cooperation with the banking and industrial committees of the various Federal reserve districts and such other agencies as they may select, should make a survey with the view of ascertaining the extent to which there may be demands for loans which are not being met by other banking institutions, and which could be properly made by the Federal reserve banks under the provisions of the amendment to section 13 above referred to; also, requesting that there be reported to the Board weekly the results of such surveys, and, if there is a need for loans of the character referred to, what steps have been or are being taken in each district to meet the situation.

Reports of Standing Committee dated July 14, 15, 18 and 19, 1932, recommending approval of the following changes in stock at Federal reserve banks:

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<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
National Bank of Wilson, Wilson, N. C.	90	90
<u>Application for ADDITIONAL Stock:</u>		
<u>District No. 12.</u>		
Carbon Emery Bank, Price, Utah.	18	18
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 1.</u>		
Inman Trust Company, Cambridge, Mass. (Insolvent)	210	
Safe Deposit National Bank, New Bedford, Mass. (Decrease in surplus)	225	
First National Bank, Northampton, Mass. (Decrease in capital)	30	465
<u>District No. 2.</u>		
First National Bank, South Glens Falls, N. Y. (Insolvent)	60	60
<u>District No. 4.</u>		
First National Bank, Davidsville, Pa. (Insolvent)	27	27
<u>District No. 5.</u>		
First Clark National Bank, Northfork, W. Va. (Cons. of the First National Bank and Clark National Bank of Northfork, under the above title)	66	
Second National Bank, Towson, Maryland. (Decrease in surplus)	30	96
<u>District No. 7.</u>		
Hyde Park-Kenwood National Bank, Chicago, Ill. (Insolvent)	600	
Ravenswood National Bank, Chicago, Ill. (Insolvent)	180	
Woodstock National Bank, Woodstock, Ill. (V.L.Abs. by American National Bank of Woodstock)	36	
National Bank of Woodlawn, Chicago, Ill. (Insolvent)	240	
Peoples National Bank & Trust Company, Chicago, Ill. (Insolvent)	900	
First National Bank, Riverside, Ill. (Insolvent)	41	
Greenfield Savings Bank, Greenfield, Iowa. (Insolvent)	26	
First National Bank, Maquoketa, Iowa. (Insolvent)	90	
Farmers National Bank in Vinton, Iowa. (Insolvent)	60	2,173
<u>District No. 9.</u>		
City National Bank, Staples, Minn. (V.L.Abs. by First National Bank of Staples)	20	20

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 10.</u>		
First National Bank, Arlington, Nebr. (Insolvent)	19	19
<u>District No. 11.</u>		
State National Bank, Terrell, Texas. (Insolvent)	60	
First National Bank, Clarksville, Texas. (Decrease in surplus)	39	
Citizens State Bank, Frost, Texas. (Decrease in surplus)	<u>15</u>	114
<u>District No. 12.</u>		
Magnolia Park National Bank, Burbank, California. (V.L. Terminal)	63	
West Hollywood First National Bank, West Hollywood, Los Angeles, California. (Insolvent)	54	
San Bernardino National Bank, San Bernardino, California. (Insolvent)	<u>180</u>	<u>297</u>
	<u>Total</u>	<u>3,271</u>

Approved.

Report of Standing Committee dated July 12, 1932, recommending approval of the following Clayton Act application:

Mr. Robert B. Failey, for permission to serve at the same time as director of the Merchants National Bank of Indianapolis, Indiana, and as director of the Indiana Trust Company of Indianapolis, Indiana.

Approved.

Thereupon the meeting adjourned.

Peter Moriel
Secretary.

Approved:

[Signature]
Governor.