

A meeting of the Federal Reserve Board was held in Washington on Friday, July 29, 1932, at 12:00 o'clock noon.

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

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

The minutes of the meeting of the Federal Reserve Board held on July 12, 1932, were amended and approved.

The minutes of the meeting of the Federal Reserve Board held on July 13, 1932, and the minutes of the meeting of the Executive Committee of the Federal Reserve Board held on the same date, were approved.

The minutes of the meeting of the Federal Reserve Board with the Open Market Policy Conference on July 14, 1932, were approved.

The Board then considered and acted upon the following matters:

Telegram dated July 27, 1932, from the Chairman of the Federal Reserve Bank of Boston, and letter dated July 28, 1932, from the Secretary of the Federal Reserve Bank of New York, both 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.

Memorandum dated July 26, 1932, from Mr. Frank J. Drinnen, Examiner in Charge, transmitting a letter dated July 26, 1932, from Mr. E. A. Farrell, tendering his resignation as Assistant Federal Reserve Examiner as of July 31, 1932. The memorandum from Mr. Drinnen recommended acceptance of Mr. Farrell's resignation, tendered because of his acceptance of a position with

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the Reconstruction Finance Corporation.

Resignation accepted.

Memorandum dated July 26, 1932, from the Director of the Division of Research and Statistics recommending approval by the Board of a leave of absence without pay from July 26 to 30, 1932, inclusive, for Miss Helen Dyer, an employee in that division.

Recommendation approved.

Memoranda dated July 26, 1932, from the Assistant Chief of the Division of Bank Operations and July 27, 1932, from the Chief of that Division, recommending approval of leaves of absence without pay for employees of the division as follows:

K. R. Iverson	July 23 to 25, 1932, inclusive.
Mary C. Williams	August 1, 1932.

Recommendations approved.

Reference was made to the fact that with the reduction of the annual leave of employees of the Board to fifteen days during the calendar year, requests for short leaves of absence without pay by employees are apt to be more or less frequent, and the Secretary of the Board, or an Assistant Secretary, was authorized to approve leaves of absence without pay, with the understanding that any extended or unusual cases will be brought to the attention of the Board.

Report of the Committee on Salaries and Expenditures on a letter dated July 21, 1932, from Deputy Governor Gilbert of the Federal Reserve Bank of New York requesting approval by the Board of a change in the bank's personnel classification plan to provide for the creation of three new positions of "Typist", one in the Foreign Accounts Division of the Foreign Department, and two in the Delivery Section of the Safekeeping Division of the Government Bond and Safekeeping Department; the Board's committee recommending approval.

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Approved.

Letter dated July 28, 1932, from the Chairman of the Federal Reserve Bank of New York stating that the board of directors of the bank, at its meeting on that date, voted to employ Mr. Norman P. Davis, on a temporary basis, as a special investigator of the credit needs and requirements of applicants to the Federal Reserve Bank of New York under the provisions of section 13 of the Federal Reserve Act, as amended by the Act of July 21, 1932, and, subject to the approval of the Federal Reserve Board, to fix his salary at the rate of \$5,000 per annum. It was pointed out that Mr. Case's letter contains no information as to the qualifications of Mr. Davis for the position referred to.

After a brief discussion, the Governor, who expects to be in New York over the week end, was authorized, in his discretion, to approve for and on behalf of the Board the salary fixed by the Board of Directors of the New York bank for Mr. Davis.

The Governor was also requested to ask the Chairman of the New York bank to furnish the Board, for its records, with a letter outlining the experience and qualifications of Mr. Davis.

Telegraphic replies, approved by five members of the Board on July 28, 1932, to telegrams of that date from the Governor of the Federal Reserve Bank of Boston requesting an extension to August 12, 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, as amended, 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 of 5 1/2%

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per annum and payable on demand; the replies stating that the Federal Reserve Board extends the authorities to August 12, 1932, as requested by the bank.

Replies unanimously approved.

Telegraphic reply, approved by five members of the Board on July 27, 1932, to a telegram of that date 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 Southside National Bank and Trust Company, Newark, New Jersey, in the amount of \$100,000, for a period of ninety days, at a rate of 5 1/2% per annum, and secured by building and loan notes with a margin of at least 25%; Deputy Governor Rounds stating that one of the smaller nonmember banks in Newark was experiencing a small run as a result of which the Southside National Bank and Trust Company anticipated unusual withdrawals. 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 27, 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, as amended, to the Peoples National Bank, Newark, New Jersey, in the amount of \$100,000, for a period of ninety days, at a rate of 5 1/2% per annum, and secured by building and loan notes with a margin of at least 25%; Deputy Governor Rounds stating that one of the smaller nonmember banks

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in Newark was experiencing a run as a result of which the Peoples National Bank anticipated unusual withdrawals. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Reply unanimously approved.

Telegraphic reply, approved by six members of the Board on July 28, 1932, to a telegram of that date 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 Labor National Bank, Paterson, New Jersey, in the amount of \$50,000, for a period of ninety days, at a rate of 5 1/2% per annum, and secured by customers' collateral notes and unsecured notes with a margin of at least 25%; the advance being desired to meet the withdrawal by the City of Paterson on July 29, of \$50,000 for payroll purposes. 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 28, to a telegram dated July 27, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority to purchase from the Bank of Depew, New York, a tax anticipation note of the Union Free School District No. 7, Town of Cheektowaga, in the amount of \$5,000; the reply stating that the Board authorizes the purchase with the understanding that the note meets all requirements of regulation E except that the population of the issuing municipality is less than 10,000 and the amount of the note offered exceeds 25% of the total outstanding warrants of the municipality.

Reply approved.

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Memorandum dated July 9, 1932, from Assistant Secretary Noell, recommending approval by the Board of a change, requested by the Federal Reserve Bank of Minneapolis, in the interdistrict time schedule from Helena to Spokane from one day to two days; the change being agreeable to the Federal Reserve Bank of San Francisco.

The change, having been approved by five members of the Board on July 28, 1932, was approved.

Memorandum dated July 7, 1932, from Mr. Smead, Chairman of the Committee on Bank Reserves, referring to a letter dated March 28, 1932, from Congressman George H. Tinkham, and correspondence with the Governors of the Federal Reserve Banks of Boston and San Francisco with regard to the question whether member banks located in states having laws requiring banks to segregate the assets of their commercial departments from the assets of their savings departments should be permitted to carry two separate reserve accounts with the Federal reserve bank; Mr. Smead stating that this matter has previously been discussed by his committee but was deferred for later consideration, and suggesting that the question be held for discussion by the committee at the time of its meeting in the Fall of this year.

Reference of the matter to the Committee on Reserves was approved, with the request, however, that consideration of the matter be expedited and a definite recommendation submitted to the Board at the earliest date practicable.

Letter to the Federal Reserve Agent at New York, approved by five members of the Board on July 28, 1932, stating that the Board has carefully considered the recommendation of the board of directors of the New York bank that the application of the Carthage National Exchange Bank, Carthage, New York, for permission to exercise full fiduciary powers be given favor-

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able consideration, but that the Board is not inclined to grant authority for full trust powers to an institution whose condition is as unsatisfactory as that of the Carthage National Exchange Bank. The letter also requested the agent to advise the applicant bank that the Board has deferred action on its application until another examination of the institution has been made, and that if, before the next examination, the bank should effect a material improvement in its condition through the introduction of new funds as suggested by the Comptroller of the Currency, the Board will be pleased to give further consideration to the application.

Letter approved.

Reply, approved by five members of the Board on July 27, to a letter dated July 20, 1932, from the Federal Reserve Agent at Richmond reporting that the Putnam County Bank of Hurricane, West Virginia, was continuously deficient in its required reserves during the last six months; the reply stating that in view of the information submitted and the fact that the Federal reserve bank and the banking department of the State of West Virginia are doing everything possible to place the member bank on a sound basis, the Federal Reserve Board, in accordance with the agent's recommendation, will take no action in the matter at this time. The letter also requested the agent to advise, within a reasonable time, as to whether the bank has restored and is maintaining its required reserves.

Reply approved.

Reply, approved by five members of the Board on July 27, to a letter dated July 13, 1932, from the Federal Reserve Agent at Atlanta calling attention to the fact that the Savannah Bank and Trust Company, Savannah,

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Georgia, is holding 295 shares of its own stock, acquired from the estate of a former President of the bank for debts previously contracted; the reply stating that in view of the fact that the stock appears to have been held for a period of almost three years, the Board feels that some definite steps should be taken by the bank to dispose of the stock without further delay, that in view of the assurance of the Vice-President that the directors have the matter in hand and feel confident of making disposition of the stock before the end of the year, the Board is not disposed to take action at this time, but that it will expect the elimination of the stock from the assets of the bank by December 31, 1932. The reply also requested advice from the agent as soon as any or all of the stock referred to has been disposed of by the member bank.

Reply approved.

Reply, approved by five members of the Board on July 27, to a letter dated June 29, 1932, from the Federal Reserve Agent at San Francisco transmitting information in connection with the acquisition of the assets and the assumption of certain liabilities of the First National Bank of Woodburn, Oregon, by the Bank of Woodburn, on January 31, 1932; the reply stating that the information submitted would indicate that the transaction has resulted in no material change in the general character of the assets of the Bank of Woodburn 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, in accordance with the agent's recommendation, the Board will interpose no objection to the transaction. The reply also requested that in view of the unsatisfactory condition of the member bank, the agent keep the Board advised as to what steps are being

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taken by the management to improve the bank's condition.

Reply approved.

Letter to the Secretary of the Open Market Policy Conference suggesting certain changes in the tentative draft of the minutes of the meeting of the Federal Reserve Board with the Open Market Policy Conference and with the Governors of the Federal reserve banks on July 14 and 15, 1932, transmitted with his letter of July 19, 1932.

Letter approved.

At this point the Chairman joined the meeting.

Letter dated July 22, 1932, from the Chairman of the Federal Reserve Bank of New York stating that at the meeting of the board of directors of the bank on July 21, on recommendation of the committee of directors on welfare of the staff of the bank, which recommendation was formulated in the light of present employment and salary conditions throughout the country, it was voted, subject to the approval of the Federal Reserve Board, to adopt, as of August 15, 1932, a program which would include (1) the abolition of the present vacation periods of officers and employees with pay, (2) a furlough plan providing for the absence, during the course of the year, of each employee for twenty-four working days without pay, and of each officer for thirty working days without pay, and (3) the deduction from the salary of each employee each month of an amount equal to $8\frac{1}{3}\%$ of the salary, and from the salary of each officer an amount equal to 10% of the salary; such deduction to be made regardless of whether the officer or employee can take advantage of the furlough, for the arrangement of which, so that the work of the bank shall proceed without any check on its efficiency, the officers of the bank will be responsible.

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During the discussion which followed, reference was made to a draft of reply to the above letter, prepared by Mr. Hamlin and circulated among the members of the Board.

At the conclusion of the discussion, the action of the directors of the New York bank was disapproved (Mr. Miller voting "no"), and the secretary was requested to advise the Chairman of the bank accordingly.

Reference was then made to the action taken by the board of directors of the Federal Reserve Bank of Richmond on June 9, 1932, and communicated to the Board in the chairman's letter of that date, in voting it to be the sense of the board of directors of the bank (1) that in harmony with the readjustment of the economic structure now in progress the salary schedules of the Federal Reserve Bank of Richmond should be reduced by approximately 10%, (2) that it is the opinion of the board of directors that any salary readjustment should be a uniform procedure for the Federal Reserve System as a whole and (3) that prompt action is vital in view of the seriousness of the general situation; the board of directors also recommending that the Federal Reserve Board formulate a policy for application to all Federal reserve banks.

The Secretary was requested to advise the Chairman of the Richmond bank that the Federal Reserve Board disapproves the action of the directors of the bank as set out in his letter.

Telegraphic reply to a letter dated July 28, 1932, from the Secretary of the Federal Reserve Bank of New York stating that at the meeting of the board of directors on July 21, 1932, it was "voted, subject to review and determination of the Federal Reserve Board, to establish a minimum rate of 4 1/2% and a maximum rate of 6% for all discounts under the provisions of the amendment to section 13 of the Federal Reserve Act, contained in section

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"210 of the Emergency Relief and Construction Act of 1932, if and when said amendment becomes law and such discounts are authorized by the Federal Reserve Board", and that this amendment now having become law and the Board having authorized such discounts for a period of six months beginning August 1, 1932, the bank would appreciate receiving the Board's approval of the rates of discount established by the board of directors of the New York bank; the reply stating that questions have been raised as to whether a range of rates instead of specific rates based upon classifications of paper can be established and also as to the advisability of discounting paper for individuals, partnerships and corporations under any circumstances at lower rates than those charged member banks on loans under section 10(b), and that before acting on the matter the Board desires a full statement of the reasons for the rates proposed by the New York bank and the considerations which it is contemplated will govern the determination of the specific rates which will actually be charged on particular discounts.

Reply approved.

Reports of Standing Committee dated July 26, 27 and 28, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
Farmers National Bank, Granville, N. Y. (Insolvent)	126	126
<u>District No. 3.</u>		
First National Bank, Cassandra, Pa. (V.L.Abs. by The First National Bank of Lilly, Pa.)	36	36
<u>District No. 4.</u>		
Central United National Bank, Cleveland, Ohio. (Decrease in surplus)	600	600

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Applications for SURRENDER of Stock: (Cont'd)

Shares

District No. 10.

Exeter National Bank, Exeter, Nebraska. (V.L.Abs. by
The Wallace National Bank of Exeter)

	18	18
Total	780	780

Approved.

Thereupon the meeting adjourned.

Walter Mowbray
Secretary.

Approved:

Ernest H. Hayes
Governor.