

A meeting of the Federal Reserve Board was held in Washington on Thursday, August 4, 1932, at 11:10 a. m.

PRESENT: Mr. James, Presiding
Mr. Hamlin
Mr. Miller
Mr. Magee
Mr. Pole

Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel
Mr. George W. Norris, Governor, Federal Reserve Bank of Philadelphia.

Governor Norris presented a letter dated August 4, 1932, stating that the lowest bid received by the Federal Reserve Bank of Philadelphia for the proposed additions and alterations to its bank building was that of Irwin and Leighton at a lump sum price of \$831,200, and requesting, on behalf of the board of directors of the bank, authority to proceed with the building program under a budget amounting in the aggregate to \$1,000,885, covering all costs in connection with the proposed alterations and additions and including, among other items, a fee of \$50,000 for supervision of the construction work by the United Engineers and Constructors, one of the unsuccessful bidders.

In the discussion which followed, the members of the Board present were disposed to authorize the acceptance of the bid of Irwin and Leighton and to approve all of the other items in the proposed budget except the proposed fee of \$50,000 for supervision by the United Engineers and Constructors.

Governor Norris stated that he was not present at the meeting of the board of directors when the plan as submitted in his letter was approved; that he is familiar only in a general way with the considerations which influenced his directors in favor of the employment of the United Engineers

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and Constructors and that he is not convinced that such supervision is necessary. In reply to inquiries, he advised the Board that the commission which the bank proposes to pay to its architects covers complete supervision by them of all construction and that they are prepared and qualified to give continuous and competent supervision to the construction work as it proceeds. He called attention to the fact that the time for acceptance of bids expires on August 10, 1932, and suggested that, if the Board was not willing to approve the \$50,000 expense in connection with the employment of the United Engineers and Constructors, it approve the balance of the budget, authorizing the bank to proceed on that basis, and afford Mr. Sewall, Chairman of the Building Committee of the board of directors, an opportunity to present the reasons for the decision of the directors to employ the United Engineers and Constructors.

It was the feeling of the members of the Board, on the basis of the information presented, that there is no justification for the duplication of expense or a division of responsibility in the supervision of the construction work of the Federal Reserve Bank of Philadelphia, and that, although they do not wish to influence in any way the determination of the question whether such supervision should be vested in the architect or in the United Engineers and Constructors, since the responsibility for the proper supervision of the construction work rests primarily with the directors of the bank, they would not be disposed to approve the payment of a fee for supervision to the United Engineers and Constructors unless any duplication of expense and division of authority is eliminated by an arrangement with the architect to provide only the plans and specifications

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for a fee which would cover no supervision on his part. The question was also raised as to the advisability of employing, for the purpose of supervising the construction, a firm which was itself an unsuccessful bidder for the contract to do the construction work.

Governor Norris stated that he would endeavor to advise the members of his board of directors promptly as to the attitude of the members of the Board and to submit to the Board on next Monday, August 8, the directors' further recommendations in the premises. Governor Norris then left the meeting.

Attention was called to the contemplated absence from Washington next week of some of the members of the Board and, because of the fact that the time for acceptance of bids by the Federal Reserve Bank of Philadelphia expires on Wednesday, August 10, the Executive Committee of the Board was authorized to take action in the matter on behalf of the Board upon receipt of further advice from Governor Norris.

The Board then considered and acted upon the following matters:

Letter dated August 3, 1932, from the Governor of the Federal Reserve Bank of New York supplementing his telephone conversation with Governor Meyer with regard to the experience and qualifications of Mr. Norman P. Davis, whom the bank has employed on a temporary basis as a special investigator of credit needs in the New York district. Mr. Harrison, Assistant to the Governor, stated that Governor Meyer talked with Governor Harrison about the matter and believes that the salary at the rate of \$5,000 per annum, fixed by the board of directors of the bank for Mr. Davis during the period of his temporary employment, should be approved in accordance with the request contained in a letter addressed to the Board by

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the Chairman of the New York bank under date of July 28, 1932.

Salary approved.

Letter to the Federal Reserve Agent at New York, approved by five members of the Board on August 3, replying to Assistant Federal Reserve Agent Dillistin's letter of July 22, 1932, in which he reported that the receiver for the Germantown National Bank of Germantown, New York, who was appointed on January 22, 1932, has not made application for cancellation of the Federal reserve bank stock issued to the national bank; the Board's letter stating that in view of the fact that the national bank is indebted to the Federal reserve bank and it is the opinion of counsel of that bank that it is desirable not to cancel the stock at this time, the Federal Reserve Board, in accordance with the assistant Federal reserve agent's recommendation, will not require the cancellation of the stock, although if an application for surrender of such stock is not received within six months from August 3, 1932, the agent should submit a further report and recommendation to the Board.

Letter approved.

Reply to a letter dated July 30, 1932, from the Federal Reserve Agent at Atlanta reporting that the Exchange Bank, Tallahassee, Florida, has been continuously deficient in its required reserves for six consecutive months; the reply stating that in view of the information submitted, the Board is taking no action in the matter at this time, but will await the transmission by the agent of advice from the bank as to the steps taken toward the restoration and maintenance of its required reserves.

Reply approved.

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Reply, approved by five members of the Board on August 3, to a letter dated July 28, 1932, from the Federal Reserve Agent at Philadelphia inclosing a notice filed under date of July 25, 1932, by the Penn Trust Company, Allentown, Pennsylvania, of its intention to withdraw from membership in the Federal Reserve System, with the request that the institution be permitted to withdraw from membership immediately; the reply stating that in view of the fact that the trust company has been absorbed by another institution, the Federal Reserve Board, in accordance with the agent's recommendation, has voted to waive in this case the usual requirement of six months notice and to permit the member institution to withdraw from membership immediately.

Reply approved.

Letter to the Midland National Bank and Trust Company, Minneapolis, Minnesota, stating that in addition to the authority previously granted to the bank to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, the Federal Reserve Board has approved the application filed by the bank for permission to act, when not in contravention of State or local law, 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 Minnesota, 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 Federal Reserve Agent at Chicago stating that the Board has again considered the application of the State-National Bank of

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Peru, Illinois, for permission to exercise trust powers, but that in view of the condition of the bank, as disclosed by the report of examination as of June 8, 1932, the Board has deferred action on the application until after another examination of the national bank has been made.

Letter approved.

Reply to letters dated July 11 and August 1, 1932, from the Federal Reserve Agent at Chicago referring to the condition under which the Union Bank and Trust Company, Ottumwa, Iowa, was admitted to the Federal Reserve System, that the note in the amount of \$90,000 signed by the directors of the Iowa National Bank of Ottumwa, which institution was included in the consolidation which resulted in the organization of the Union Bank and Trust Company, be eliminated from the bank's assets within one year from the date of the bank's admission to membership in the Federal reserve system, or on or before August 22, 1932; the Federal reserve agent stating that if the bank eliminates this note in accordance with the requirement of the condition of membership, such action will result in a hardship to the directors who signed the note and will make it necessary for them to sacrifice investments to provide for the balance of \$55,000 still due on the note. The reply stated that in view of these circumstances, and in accordance with the agent's recommendation, the Board will not take action on account of the failure of the member bank to eliminate the note by August 22, provided that the note is eliminated from the assets of the bank within one year from this date. The letter also requested the agent to keep the Board advised as to the progress made by the member bank in reducing the amount of the note or in eliminating it from its assets.

Reply approved.

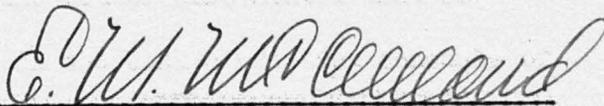
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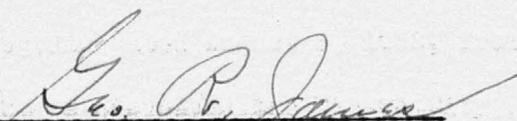
The Assistant Secretary then reported that advice has just been received over the telephone from the Governor of the Federal Reserve Bank of New York that the board of directors of the bank, at its meeting today, voted to request the Federal Reserve Board to establish a minimum buying rate of 2% for the purchase of trade acceptances by the bank, at or above which, if and when the request is approved by the Board, currently effective minimum buying rates may be fixed by the officers of the bank for the purchase of trade acceptances.

After a brief discussion, the rate established by the New York directors was approved and the Assistant Secretary was requested to advise the Governor of the New York bank accordingly.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman, Executive Committee.