

A meeting of the Federal Reserve Board was held in Washington on Tuesday, August 9, 1932, at 3:10 p. m.

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

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 August 6, 1932, from the Governor of the Federal Reserve Bank of Richmond; letter dated August 8, 1932, from the Secretary of the Federal Reserve Bank of New York; and telegrams dated August 8, 1932, from Deputy Governor Paddock of the Federal Reserve Bank of Boston, and the Secretaries of the Federal Reserve Banks of St. Louis and Minneapolis, advising of the establishment by the Federal Reserve Bank of Boston of a rate of 5 1/2%, and by the Federal Reserve Banks of New York, Richmond, St. Louis and Minneapolis of a rate of 6% for all discounts for individuals, partnerships and corporations under the provisions of the third paragraph of section 13 of the Federal Reserve Act as amended by the Act of July 21, 1932, effective the first business day following that on which the respective rates are approved by the Federal Reserve Board.

After a discussion, the rates of 6% established by the Federal Reserve Banks of New York, Richmond, St. Louis and Minneapolis were approved, effective August 10, 1932, but action on the 5 1/2% rate established by the Boston bank was deferred for further consideration.

Telegram dated August 5, 1932, from the Chairman of the Federal Reserve Bank of Cleveland stating that the board of directors of the bank, at its meeting on that date, established a minimum rate of 5 1/2% for discounts for individuals, partnerships and corporations under the third paragraph of

8/9/32

-2-

section 13, as amended by the act of July 21, 1932. The Assistant Secretary reported that the Chairman of the Cleveland bank called on the telephone and stated that his telegram was being sent merely as a matter of record; that the Board's wire of August 5, 1932, with regard to a spread of rates for discounts made in accordance with the amendment, had been received, and that the matter would again be taken up with the executive committee of the bank.

Noted.

Telegram dated August 5, from the Chairman of the Federal Reserve Bank of Chicago stating that the executive committee of the bank had approved a minimum rate of 5 1/2% and a maximum rate of 7% for discounts to individuals, partnerships and corporations, in accordance with the provisions of the third paragraph of section 13 of the Federal Reserve Act, as amended by the act of July 21, 1932, and that inasmuch as the Board's telegram of August 5, 1932, had been received by the bank subsequent to the meeting of the executive committee, the matter of the rate would be considered further at a later meeting of the committee and his telegram was merely for the information of the Board.

Noted.

Telegraphic reply to a telegram dated August 8, 1932, from the Governor of the Federal Reserve Bank of San Francisco requesting authority for an advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Old National Bank and Union Trust Company, Spokane, Washington, of not exceeding \$2,000,000, for a period of three months, at a rate of 5 1/2% per annum, and on the security of real estate loans and other loans totaling \$2,551,000; Governor Calkins stating that the national bank has lost approximately \$4,300,000 of deposits since April,

8/9/32

-3-

and that a further shrinkage of deposits during August and September is expected. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended, with the understanding that out of the proceeds of this advance the national bank will retire the amount of the advance now outstanding under the authority granted in the Board's telegram of April 13, 1932. The reply also noted the statement in Governor Calkins' telegram that the bank has no further assets eligible for obtaining credit under section 13 of the Federal Reserve Act and advised that the Board's approval of the new advance is conditioned upon the understanding that the national bank has no further eligible and acceptable assets to enable it to obtain adequate credit accommodations from the Federal reserve bank under any other provisions of the Act except section 10(a).

Unanimously approved.

Letter dated August 8, 1932, from the Governor of the Federal Reserve Bank of Philadelphia transmitting a letter of the same date from Mr. Arthur W. Sewall, Chairman of the Building Committee of the bank, requesting an opportunity to appear before the Board, preferably on Friday morning of this week, for a discussion in connection with the proposed enlargement of the bank's building.

The Assistant Secretary was requested to advise Mr. Sewall that the Board will be glad to meet with him at 11:00 a. m. on Friday, August 12, 1932.

Reports of the Committee on Salaries and Expenditures recommending approval, in accordance with requests contained in Deputy Governor Worthington's letters of July 21, 1932, of changes in the personnel classification plan of the Denver branch of the Federal Reserve Bank of Kansas City, to provide for the creation of one new position, a change in the title and

8/9/32

-4-

salary range of one position, and changes in the salary ranges of four other positions.

Approved.

Letters to the Comptroller of the Currency, referring to letters received from Deputy Comptroller Awalt under date of July 22, 1932, and advising (1) that the Federal Reserve Board notes the resignation, effective July 20, 1932, of Mrs. Ruthette M. Gray, Statistical Clerk in the Federal Reserve Issue & Redemption Division, with salary at the rate of \$2,000 per annum, and that the position of Statistical Clerk in the Division has been abolished; (2) that the Board approves a salary at the rate of \$1,750 per annum for Mrs. Maude Williams who is to be appointed as Bookkeeper-Stenographer in the Division, effective such date as she reports for duty; and (3) that the Board also approves an increase from \$1,500 to \$1,750 per annum, effective September 1, 1932, in the salary of Mrs. Ruth Whittaker, Bookkeeper in the Division, whose duties have been considerably increased as a result of the abolition of the position of Statistical Clerk.

Approved.

Telegram addressed to the Governors of all Federal reserve banks on August 6, 1932, with the approval of the Executive Committee, requesting that they include in their daily condition telegrams to the Board certain information with regard to discounts for individuals, partnerships and corporations under section 13 of the Federal Reserve Act, as amended by the act of July 21, 1932, and stating that the amount of paper discounted for individuals, partnerships and corporations will not be published separately by the Board at the present time, and that it is assumed that a similar policy will be followed by the Federal reserve banks with regard to any such paper dis-

8/9/32

-5-

counted by them.

Telegram approved.

The Assistant Secretary was requested to advise Mr. Smead, Chief of the Division of Bank Operations, that in accordance with the suggestion contained in his memorandum of August 5, 1932, all discounts reported by Federal reserve banks for individuals, partnerships and corporations should be included in the weekly press statement under the general head of "Bills Discounted" against the captions "Secured by U. S. Government Obligations" or "Other Bills Discounted".

Telegraphic reply to a telegram dated August 8, 1932, from the Governor of the Federal Reserve Bank of Minneapolis inquiring whether the statement in the Board's circular of July 26, 1932, that in discounting paper for individuals, partnerships or corporations a Federal reserve bank should not make any commitment to renew or extend such paper or to grant further or additional discounts, means that under no circumstances may a Federal reserve bank accept renewals of maturing paper; the reply stating that the Board's circular forbids the making of any commitment at time of discount to renew or extend paper or to grant further or additional discounts, but that it does not forbid the renewal or extension of such paper at maturity if circumstances at that time warrant such action.

Approved.

Letter to the Eden State Bank, Eden, Texas, stating that the Federal Reserve Board has approved the bank's application for membership in the Federal Reserve System and for thirty shares of the capital stock of the Federal Reserve Bank of Dallas, subject to certain conditions set forth in the letter.

Approved.

Letter to the Federal Reserve Agent at Dallas, referring to

8/9/32

-6-

Assistant Federal Reserve Agent Evans' letter of July 5, 1932, with which he transmitted a notice of intention to withdraw from membership in the Federal Reserve System, filed under date of July 2, 1932, by the Citizens State Bank, Memphis, Texas, with the request that it be permitted to withdraw from membership immediately; the reply stating that, in accordance with the recommendation of the Executive Committee of the Dallas bank, and in view of the circumstances outlined in Mr. Evans' letter, the Board has voted to waive in this case the usual requirement of six months notice and to permit the member bank to withdraw from membership immediately.

Approved.

Letter to The Peoples National Bank of Warrensburg, Missouri, approved by five members of the Board on August 8, 1932, stating that the Federal Reserve Board has approved the bank's application to act, when not in contravention of State or local law, as trustee, and registrar of stocks and bonds, the exercise of such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Letter to The American National Bank, St. Joseph, Missouri, approved by five members of the Board on August 6, 1932, stating that in addition to the authority previously granted to the bank to act as trustee, executor, administrator, and registrar of stocks and bonds, the Federal Reserve Board has approved the bank's application for permission to act, when not in contravention of State or local law, as 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

8/9/32

-7-

laws of the State of Missouri, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Letter to The First National Bank of Savanna, Illinois, 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 bank's application 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 Illinois, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Letter to The Rawlins National Bank, Rawlins, Wyoming, stating that in addition to the authority previously granted to the bank to act as trustee, executor and administrator, the Federal Reserve Board has approved the bank's application for permission to act, when not in contravention of State or local law, as 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 Wyoming, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regula-

8/9/32

-8-

tions of the Federal Reserve Board.

Approved.

Letter to the United States National Bank, Eugene, Oregon, stating that in addition to the authority previously granted to the bank to exercise trust powers in the specific trusts which were acquired by it from the Eugene Loan and Savings Bank of Eugene, Oregon, the Federal Reserve Board has granted the bank permission to act, when not in contravention of State or local law, as trustee only in connection with loans made to the Eugene Fruit Growers Association by the Federal Intermediate Credit Bank of Spokane, Washington, the exercise of such right being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

A discussion ensued, during which the members present expressed the feeling that the Board should not in this case depart from its usual practice of refusing to grant authority to a national bank to act in a fiduciary capacity in a particular case when it is not willing to authorize the institution to exercise full powers. Accordingly, the bank was granted permission to act generally, when not in contravention of State or local law, as trustee in holding custody of warehouse receipts, shipping documents, any other securities, or cash, as security for loans made by other parties, the exercise of such right being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Letter to the Federal Reserve Agent at San Francisco, referring to the application of the First National Bank of Eugene, Oregon, for permission to act as depository for bondholders' committees under the provisions of section 11(k) of the Federal Reserve Act, and stating that before the Board acts on the application it desires detailed advice as to the functions which the bank will exercise as depository for bondholders' committees, and as to whether or not the bank requires in connection therewith authority in addition to that previously granted to the bank to act as trustee. The

8/9/32

-9-

letter also called attention to the Board's practice of granting permission to exercise trust powers in the terms used in section 11(k) of the Federal Reserve Act, rather than in terms which may be used in a State law or otherwise, and stated that the right to act as depositary for bondholders' committees is not one of the fiduciary powers specifically enumerated in section 11(k) and that if the First National Bank requires additional authority to enable it to act as depositary, it should request the Board to grant it the general power authorized by section 11(k) to act 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 in which the national bank is located. The letter further suggested that if the national bank finds it necessary to submit an application for the general power, it is desirable, for record purposes and in order that there may be no misunderstanding as to the trust powers the bank would be authorized to exercise, that it include in its application all of the trust powers specifically enumerated in section 11(k) which have not heretofore been granted to the bank.

Approved.

Letter to the President of the First National Bank of Kenmore, New York, transmitting a certificate showing that the national bank has duly surrendered its right to act in fiduciary capacities and is no longer authorized to exercise trust powers under the provisions of section 11(k) of the Federal Reserve Act; together with letters to the Federal Reserve Agent at New York and the Comptroller of the Currency advising of the issuance of the certificate above referred to. The Assistant Secretary reported for the record that the national bank has filed with the Board a certified copy of a resolution of the board of directors of the bank

8/9/32

-10-

signifying its desire to surrender trust powers, that the Assistant Federal Reserve Agent at the Federal Reserve Bank of New York has recommended that the right of the bank to exercise trust powers be terminated; and that pursuant to the request made by the Board on June 3, 1932, the Comptroller of the Currency has advised that the bank was acting in only one trust account and has now on file a proper release from that trust.

Certificate and letters approved.

Letter to the Federal Reserve Agent at Philadelphia, approved by five members of the Board on August 6, 1932, referring to Assistant Federal Reserve Agent Hill's letters of July 8 and 23, 1932, transmitting information relative to the transaction by which the Schuylkill Haven Trust Company, Schuylkill Haven, Pennsylvania, jointly with the First National Bank and Trust Company of Schuylkill Haven, assumed the deposit and borrowed money liabilities and acquired for liquidation the assets of the State Bank of Schuylkill Haven, a nonmember, as of the close of business July 5, 1932; the Board's letter stating that in the absence of current information regarding the condition of the Schuylkill Haven Trust Company, the Board, in accordance with its usual policy, will defer until after another examination of the trust company, its consideration of the question as to whether the transaction has resulted in any material change in the character of the assets of the trust company or 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.

Approved.

Reply, approved by five members of the Board on August 8, 1932, to a letter dated July 26, 1932, from the Chairman of the Federal Reserve

8/9/32

-11-

Bank of Cleveland reporting the steps which have been taken to survey the situation in the Fourth Federal Reserve District with respect to credit demands which are not being met through regular banking channels and which may properly be taken care of by the Federal reserve banks under the recent amendment to section 13 of the Federal Reserve Act; the Chairman referring to a specific instance in which it appears that the legitimate credit needs of the borrower are not being met; suggesting as one of the ways of meeting the situation, the rediscount at the Federal Reserve Bank of Cleveland, through a member bank, of the notes taken by nonmember banks for funds advanced to the borrower, and inquiring whether the Federal Reserve Board would be disposed to look with favor upon a request from the Federal reserve bank for permission to accept for rediscount through a member bank of the paper of such nonmember banks. The reply stated that it has been the policy of the Board to give favorable consideration, whenever conditions justified and upon favorable recommendation of the Federal reserve bank, to applications of particular member banks to rediscount good and eligible paper acquired from or bearing the signature or indorsement of nonmember banks, but that the Board has taken the position generally that member banks authorized to rediscount such paper should only do so after having exhausted all other paper in their portfolio which is eligible and acceptable to the Federal reserve bank for rediscount. The reply also stated that while the Board is not prepared to grant blanket authority to the Federal reserve bank to rediscount such paper for member banks, it will be glad to entertain applications from individual member banks if accompanied by the favorable recommendation of the Federal reserve bank.

Approved.

8/9/32

-12-

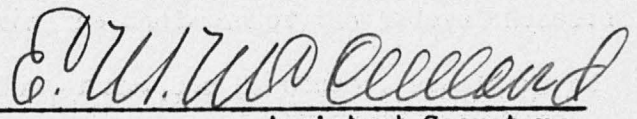
Letter to the Shoreham Investment Company, Inc., approved by six members of the Board on August 2, 1932, referring to the lease between the Board and the Shoreham Investment Company for certain space in the Shoreham Building and advising that the number of square feet of office space on the third and fourth floors which is occupied under the lease has been calculated and verified and it has been concluded that the aggregate area is not less than 13,808 feet and that, accordingly, under the terms of the lease, the Federal Reserve Board will pay to the Shoreham Investment Company, Inc., at the end of each month during the term of the lease monthly rental at the rate of \$1,726.00.

Approved.

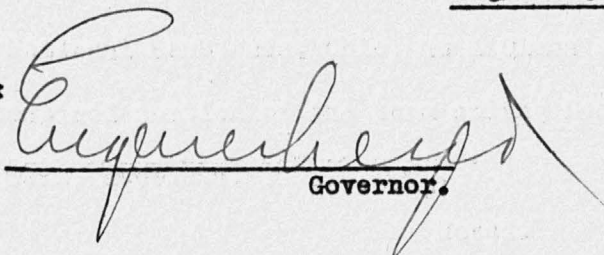
Reference was then made to the fact that the leave of absence without pay previously granted to Mr. Leo H. Paulger, Chief of the Board's Division of Examinations, expired on July 31, 1932.

After a brief discussion, during which it was reported that it would cause some inconvenience to the Reconstruction Finance Corporation to recall Mr. Paulger from his work with the corporation at this time, it was decided to extend his leave of absence without pay to and including September 30, 1932, or until such earlier date as the corporation may be able to dispense with his services.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Governor.