

A meeting of the Federal Reserve Board was held in Washington on Friday, August 12, 1932, at 12:15 p. m.

PRESENT: The Chairman
Mr. Miller
Mr. James
Mr. Magee
Mr. Pole

Mr. McClelland, Assistant Secretary.

The discussion at the meeting of the executive committee held just prior to this meeting, with regard to the proposal of the board of directors of the Federal Reserve Bank of Philadelphia to employ the United Engineers and Constructors to supervise the construction work in connection with the enlargement of the Philadelphia building, was reviewed and the matter was given further consideration. The discussion developed that, while the members were impressed with the considerations advanced by Mr. Sewall and felt that the provision of thoroughly competent engineers to supervise the construction of the Philadelphia building is entirely justified, they regarded the proposed fee of \$50,000 for that work as entirely too large, and felt that it would be possible through the employment of a competent engineer and possibly one or more assistants, working under the architect, to conduct a thorough supervision of the work at a much more reasonable cost. The Chairman stated that it is the practice of the Supervising Architect's Office of the Treasury Department in the erection of Government buildings, to employ a supervising engineer and in the case of a large building, to give him an assistant, it being the theory of the Supervising Architect's Office that any differences of opinion arising between the contractor and the engineer must be referred to the architect.

Mr. Sewall was again invited into the meeting and he outlined briefly the reasons why, in his opinion, the proposed fee is not too large. At

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Mr. Sewall's suggestion, Mr. Robinson, President of the United Engineers and Constructors, who was in the building, was invited into the meeting and he explained that the proposed charge is based on a fee of 3% of the contract price, plus the actual expenses incurred by the engineers in connection with the work of supervision, both of the construction of the building and mill inspection of the material used, the aggregate not to exceed \$50,000.

Messrs. Sewall and Robinson then left the meeting.

At the conclusion of the ensuing discussion the Assistant Secretary was requested to advise the Governor of the Federal Reserve Bank of Philadelphia that the Board has authorized the bank to proceed with its building program and has approved the budget submitted with the Governor's letter of August 4, 1932, amounting in the aggregate to \$1,000,885, with the exception of the item of \$50,000 in connection with the proposed employment of the United Engineers and Constructors, which the Board requests be given further consideration by the board of directors of the bank.

The Board then considered and acted upon the following matters:

Letter dated August 11, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegram dated August 12, 1932, from the Secretary of the Federal Reserve Bank of Atlanta, both advising that at the 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.

Telegram dated August 11, 1932, from Assistant Federal Reserve Agent Post at Philadelphia advising of the establishment, by the executive committee of the bank, of a rate of 6% for the discount of paper for individuals, partnerships, and corporations in accordance with the provisions of section 13 of the Federal Reserve Act as amended; said rate having been approved on August 11, 1932, effective August 12, 1932, by the Executive

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Committee of the Board, under authority granted at the meeting on August 10.

Approved.

Telegrams dated August 12, 1932, from the Chairmen of the Federal Reserve Banks of Atlanta and Chicago advising of the establishment by those banks of a rate of 6% for discounts for individuals, partnerships, and corporations in accordance with the provisions of section 13 of the Federal Reserve Act as amended, effective the first business day following that on which approved by the Federal Reserve Board.

The rates of 6%, established by the Atlanta and Chicago banks, were approved, effective August 13, 1932.

Telegraphic replies to telegrams dated August 11, 1932, from Deputy Governor Paddock of the Federal Reserve Bank of Boston requesting that the Board extend to August 26, 1932, the authority previously granted 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, and the Peoples National Bank, Southbridge, Massachusetts, not to exceed \$250,000 and \$75,000, respectively, at a rate of 5 1/2% per annum, and payable on demand; Deputy Governor Paddock stating that, while local conditions have improved in each case, it is felt that the Federal reserve bank should be in a position to make advances to the member banks should occasion arise. The replies stated that the Board extends the authorities to August 26, 1932, as requested by the Federal reserve bank.

Unanimously approved.

Reply to a telegram dated August 12, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for an advance to the Rahway Trust Company, Rahway, New Jersey, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, in the

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amount of \$60,000, for a period of 68 days, at a rate of 5 1/2% per annum, and on the security of building and loan notes secured by mortgages and straight mortgages with a margin of at least 25%; the advance being desired to meet the anticipated withdrawal of a large deposit. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Letter dated August 10, 1932, from the Chairman of the Federal Reserve Bank of Atlanta stating that advice has been received from Mr. John H. Frye, Managing Director of the Birmingham branch, that he has severed his connections with all outside business, and in doing so expressed agreement with the Board's position in the matter.

Noted.

Reply, approved by four members of the Board on August 11, to a letter dated August 5, 1932, from the Federal Reserve Agent at Chicago requesting approval by the Board of the designation of Mr. Carol L. Pitman as an examiner at the bank with a salary at the rate of \$4,000 per annum; the reply stating that the Board has approved the designation and salary as recommended.

Approved.

Reply to letters dated July 15, 1932, from the Federal Reserve Agent and July 30 and August 5, 1932, from the Controller of the Federal Reserve Bank of Minneapolis, with further regard to the appointment of an auditor at the Helena branch; the reply advising that the Federal Reserve Board has approved the changes in the personnel classification plan for the Helena branch, submitted with the Controller's letter of August 5, to pro-

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vide for a branch auditor who shall report directly to the head office Controller and who should be classified as an employee of the branch rather than an officer.

Approved.

Letter dated August 19, 1932, from the Secretary of the Federal Advisory Council, stating that the next meeting of the Council will be held in Washington on Tuesday, September 20, 1932, and requesting a list of the topics which the Federal Reserve Board desires the Council to discuss at that time.

Noted.

Letter to the Federal Reserve Agent at Chicago, replying to Assistant Federal Reserve Agent Young's letter of July 26, 1932, with regard to the efforts which have been made to effect cancellation of the Federal reserve bank stock outstanding in the name of the City National Bank of Lansing, Michigan, which was absorbed by the Capital National Bank of Lansing on December 26, 1931; the Board's letter stating that the Board does not object to the agent's waiting an additional period of 60 days before he again communicates with the Capital National Bank, but that it is suggested, if at the expiration of that period the institution has not been placed in liquidation, that the agent consider the advisability of recommending to the Board that the Comptroller of the Currency be requested to appoint a receiver for the national bank.

Approved.

Letter to the Federal Reserve Agent at Richmond, approved by four members of the Board on August 11, 1932, replying to Assistant Federal Reserve Agent Fry's letter of August 1, 1932, with regard to shares of its

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own stock held by the Peoples Trust Company of Martinsburg, West Virginia, as collateral for two loans; the reply stating that in the case of the loan where the member bank advises the stock held as collateral can be disposed of without difficulty such action should be taken promptly, and that in view of the circumstances involved in the other case the Board will expect the member institution to dispose of the stock held as collateral as soon as possible. The letter also requested the agent to keep in touch with the situation and report to the Board not later than January 1, 1933, whether the violation of law referred to has been corrected.

Approved.

Reply, approved by four members of the Board on August 11, to a letter dated August 3, 1932, from the Federal Reserve Agent at Dallas, reporting that the Citizens National Bank, Llano, Texas, was continuously deficient in its required reserves during the period of six months ended June 30, 1932; the reply stating that in view of the information submitted 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 for the information of his office. The letter 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.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by four members of the Board on August 11, replying to Assistant Federal Reserve Agent Young's letter of August 6, 1932, with which he inclosed a voluntary notice of intention to withdraw from membership in the Federal Reserve System, filed under date of August 5, 1932, by the Hinsdale State Bank,

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Hinsdale, Illinois, with the request that the bank be permitted to withdraw from membership immediately; the Board's letter stating that in view of the agent's recommendation, and the fact that the member bank within a few days will dispose of its assets to the First National Bank of Hinsdale, the Board has voted to waive in this case the usual requirement of six months notice and to permit the member institution to withdraw from membership, effective if and when its business is transferred to the national bank.

Approved.

Letter to the Federal Reserve Agent at Kansas City, approved by four members of the Board on August 11, 1932, referring to the application of the First National Bank in Bartlesville, Oklahoma, for permission to act, in addition to the powers previously granted by the Board, in any other fiduciary capacity permitted under the laws of the State of Oklahoma; and stating that it appears that the application was filed at the suggestion of the Comptroller of the Currency following receipt of a report of examination of the bank which disclosed that the bank was acting as custodian, and that before the Board acts on the application it desires detailed advice as to the nature of the functions which the bank is exercising as custodian and whether or not any additional authority is required to cover the exercise of such functions.

Approved.

Letter to the Federal Reserve Agent at St. Louis, approved by four members of the Board on August 11, 1932, referring to the application of the Farmers National Bank, Glasgow, Kentucky, for permission to act in addition to authority previously granted, as committee of estates of lunatics, and stating that in view of the condition of the applicant bank

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as disclosed by the report of examination conducted as of April 30, 1932, the Board has deferred action on the application until after another examination of the bank has been made. The letter also requested that upon receipt of the next report of examination the agent transmit to the Board an analysis thereof, together with his recommendation in the premises, and stated that the Board is bringing to the attention of the Comptroller of the Currency, for such action as he may deem necessary, the fact that the national bank is now exercising the power of committee of estates of lunatics in two trusts, without authority from the Board.

Approved.

Reply to a letter dated August 2, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York, stating that the Board would like to have the report requested in the last paragraph of its letter of July 30, 1932, X-7221, cover all formal applications for discounts by individuals, partnerships and corporations which are not granted by the Federal reserve bank and all informal applications where the paper is placed with another bank or the applicant is definitely advised in writing that the discount will not be made by the Federal reserve bank. The reply also stated that the Board understands from Deputy Governor Rounds' letter that before any attempt is made to discourage the submission of a formal application sufficient information will be obtained from the prospective applicant to enable the Federal reserve bank to determine with some certainty that the paper which the applicant proposes to offer is not eligible and acceptable, and requested that for the time being the bank furnish the Board with a report covering all cases where an applicant is advised in writing not to submit a formal application or where other than

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a routine examination of the inquiry is necessary to determine the facts upon which the decision of the Federal reserve bank is based.

Approved.

Letter to the Governor of the Federal Reserve Bank of Atlanta, referring to the bank's printed circular with regard to discounts for individuals, partnerships and corporations under the provisions of section 13 of the Federal Reserve Act, as amended, from which it has been noted that the bank has reissued the Board's circular of July 26, 1932, on this subject in the form of a circular of the Atlanta bank signed by the Governor; the Board's letter stating that this would seem inappropriate in view of the wording of section II of the circular in which the Federal Reserve Board authorizes the Federal reserve banks to discount paper in accordance with the amendment of July 21, 1932. The letter also called attention to the fact that the other Federal reserve banks have printed the Board's circular in the exact form in which it was sent out by the Board with a covering letter signed by the Governor, and suggested that when the Atlanta bank has occasion to print additional copies of the circular, it handle the matter as the other Federal reserve banks have handled it.

Approved.

Letter to the Secretary of State, approved by five members of the Board on August 11, 1932, inclosing a copy of a letter dated July 23, 1932, from the Acting Manager of the Havana Agency of the Federal Reserve Bank of Atlanta to the Governor of the Atlanta bank, a copy of a telegram dated July 23, 1932, sent by Governor Black to Ambassador Guggenheim, and a copy of a letter dated July 25, 1932, from Governor Black to Mr. James, all referring to the search on the afternoon of July 19, 1932, apparently by

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Cuban secret police, of the Havana residence of Mr. H. C. Frazer, Manager of the Havana Agency, during the absence of Mr. Frazer in the United States; the letter stating that if the State Department has received from Ambassador Guggenheim any report concerning this matter, the Board will be glad to be advised with respect thereto in order that it may in turn communicate with the Governor of the Atlanta bank.

Approved.

Letter to Mr. C. H. Van Ostrand, approved by four members of the Board on August 11, 1932, replying to various inquiries contained in his letter of July 26, 1932, with regard to the Federal Reserve System, the question of a unified banking system, and the guaranty of bank deposits.

Approved.

Letter to the Postmaster General stating that the Federal Reserve System is being required under the Act of June 28, 1932, as it is now being administered by the Post Office Department, to pay registry surcharges on currency shipments which will have the effect of increasing by some \$750,000 annually the cost to the System of supplying the banks of the country with currency; the letter outlining in detail the considerations which prompt the Federal Reserve Board to respectfully request that the Postmaster General issue regulations or instructions in such form as he may deem appropriate, under the provisions of section 2 of the Act of June 28, 1932, providing that shipments of currency either to or from any Federal reserve bank shall be accepted by all postmasters for registration (or for insurance if the shipment is insured mail treated as registered mail) without the mailer being required to declare value in excess of \$1,000. The letter also inclosed a copy of a memorandum prepared by the Board's counsel, discussing the question

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whether the Postmaster General may lawfully modify the regulations of the department in the manner suggested.

Approved.

Circular letter to the Governors of all Federal reserve banks, approved by five members of the Board on August 11, 1932, inclosing a summary of the telegrams received in response to the Board's telegram of August 1, 1932, to the Governors, inquiring on behalf of the Treasury Department what the attitude of the Federal reserve banks would be as to handling checks drawn by business concerns on themselves which are not payable at or through designated banks; the letter also stating that notwithstanding the action of the recent Governors' Conference in approving the report on this subject submitted under date of July 14, 1932, by the Standing Committee on Collections, and in voting that the practice regarding this matter should be uniform throughout the Federal Reserve System, the practices of the various Federal reserve banks as described in their telegrams to the Board are not all uniform. The letter further called attention to the suggestion of the Chairman of the Governors' Conference that this matter be again reviewed with the thought of reversing the action of the conference, and inclosed a copy of a telegram on this subject addressed to the Board by the Chairman of the Governors' conference on August 8, 1932, and a copy of the Board's telegraphic reply thereto, approved by five members of the Board on August 10; said reply stating that it would seem appropriate for the Chairman of the Governors' conference to arrange for the reconsideration of the system policy by all Federal reserve banks.

Circular letter and telegram to the Chairman of the Governors' Conference approved.

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Mr. Miller then stated that, in accordance with the action taken at the meeting of the Federal Reserve Board on August 11, he had arranged with the office of the Attorney General immediately for a discussion with representatives of the Federal Reserve Board on the interpretation of the three year limitation contained in section 29 of the Federal Home Loan Bank Act providing for the issuance of national bank notes on the security of United States Government bonds.

Report of Standing Committee dated August 10, 1932, recommending approval of the following Clayton Act application:

Mr. I. Smith Raspin, for permission to serve at the same time as employee of The Sixth National Bank of Philadelphia, Pennsylvania, and as officer and employee of The Erie National Bank of Philadelphia, Pennsylvania.

Approved.

Thereupon the meeting adjourned.

E. W. Moore
Assistant Secretary.

Approved:

Wm. L. Miller
Chairman.

G. R. J.