

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, August 19, 1932, at 12:15 p. m.

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

Mr. Morrill, Secretary  
Mr. McClelland, Assistant Secretary  
Mr. Harrison, Assistant to the Governor.

The Committee considered and acted upon the following matters:

Letter dated August 18, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated August 17, 1932, from the Chairman of the Federal Reserve Bank of St. Louis, and August 18, 1932, from the Deputy Chairman of the Federal Reserve Bank of Richmond, and the Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, 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 August 16, to a letter dated August 10, 1932, from the Governor of the Federal Reserve Bank of New York outlining the considerations which prompted the establishment by the board of directors of the bank of a rate of 6% for discounts made 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 stating that, if in the light of future developments it becomes advisable or necessary to do so, it is hoped that the Board will permit the bank to reopen the question of the legality of a spread of rates for the various direct loans made under the amendment in order that the rate charged by the bank may be fixed in the light of the credit risk involved as well as with a view to meeting rates charged by commercial banks in the different localities of the district for

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the same kinds of loans. The reply stated that the Board will be glad to give consideration to any views which the board of directors of the bank may later wish to express on this subject.

Approved.

Telegram dated August 19, 1932, from the Secretary of the Federal Reserve Bank of Cleveland advising of the establishment by the bank of a rate of 6% on discounts for individuals, partnerships and corporations under 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.

Under the authority granted to the Executive Committee at the meeting of the Board on August 10, 1932, the 6% rate established by the Cleveland bank was approved, effective August 20, 1932.

Bond in the amount of \$50,000, executed on August 12, 1932, by Mr. Harold V. Roelse, as Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of New York.

Approved.

Memorandum dated August 15, 1932, from the Director of the Division of Research and Statistics, referring to the past practice of the Board of granting thirty days leave of absence with pay upon the resignation of employees of more than three years service, and recommending, in view of the recent reduction of employees' annual leave to fifteen days, that Miss Eleanor Hanford, an employee of the division who is resigning on August 31, 1932, be granted a leave of absence beginning September 1, 1932, for such period as, together with the leave of absence with pay already taken by Miss Hanford during the current year will equal fifteen days.

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Resignation accepted as of September 15, 1932, and leave of absence with pay granted from September 1 to 15, 1932, inclusive.

Reply, approved by four members of the Board on August 16, to a letter dated August 10, 1932, from Deputy Governor Gilbert of the Federal Reserve Bank of New York stating that in view of the temporary nature of the work in connection with failed banks which is being carried on in the credit department of the Federal reserve bank, it does not appear practicable to change the bank's personnel classification plan so as to provide for a failed banks section, and requesting that, in lieu thereof, the Board approve the temporary assignment of other clerks to the credit department as occasion requires without obtaining the Board's approval in each individual case, such assignments to terminate on or before April 20, 1933, which is the date of the termination of two such temporary assignments previously approved by the Board; the reply stating that the Board authorizes the temporary assignment of employees to the credit department in accordance with Deputy Governor Gilbert's letter.

Approved.

Letter to Deputy Governor Helm of the Federal Reserve Bank of Kansas City, approved by four members of the Board on August 17, 1932, stating that, in accordance with the request contained in his letter of August 8, 1932, the Federal Reserve Board has approved a change in the personnel classification plan of the bank to provide for the creation of the two new positions of "clerk" and "file clerk-typist" in the Fiscal Agent-Reconstruction Finance Corporation Department; the Board's Committee on Salaries and Expenditures having also recommended approval of the change.

Approved.

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Letter to the Chairman of the Federal Reserve Bank of Dallas, approved by four members of the Board on August 16, 1932, advising that in accordance with the request contained in his letter of August 8, 1932, the Board has approved a salary at the rate of \$2,100 per annum for Mr. R. S. Chambers who has been appointed to the appraised position of special representative in the Insolvent Banks Department of the Dallas bank.

Approved.

Reports of the Committee on Salaries and Expenditures recommending approval by the Board of the following changes in personnel classification plans of Federal reserve banks:

Kansas City: The creation of the new position of "Clerk" in the Auditing Department of the bank.

Dallas: The creation of the new position of "Typist" in the Reconstruction Finance Corporation Department of the El Paso branch.

Approved.

Telegraphic reply, approved by three members of the Board on August 16, to a telegram dated August 15, 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, New York, in the amount of \$10,000; 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 that the amount of the note offered, together with a \$5,000 note already held by the New York bank, exceeds 25% of the total outstanding warrants of the municipality.

Approved.

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Telegram to the Federal Reserve Agent at Chicago, approved by four members of the Board on August 16, replying to a letter dated August 13, 1932, from Assistant Federal Reserve Agent Young, submitting the application of The Toy National Bank, Sioux City, Iowa, for permission to rediscount paper originating with nonmember banks listed in the application; the reply stating that the Board authorizes the Federal Reserve Bank of Chicago, in its discretion, for a period of six months from August 16, 1932, to rediscount for the national bank good and eligible paper acquired from or bearing the signature or indorsement of the nonmember banks referred to. 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.

Approved.

Telegraphic reply to a letter dated August 15, 1932, from the Federal Reserve Agent at Minneapolis transmitting an application filed by the Union Bank and Trust Company of Helena, Montana, for an extension for ninety days from August 10, 1932, of the permission previously granted by the Board to the Federal Reserve Bank of Minneapolis to rediscount for the member bank paper acquired from nonmember banks; the reply stating that the Board extends to November 10, 1932, the permission previously granted to the Minneapolis bank to rediscount, in its discretion, for the member bank, good and eligible paper acquired from or bearing the signature or indorsement of nonmember banks.

Approved.

Letter to the Guaranty Bank and Trust Company, St. Louis, Missouri, stating that the Board has considered the bank's application made on behalf of

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the Guaranty-Plaza Trust Company, St. Louis, Missouri, for membership in the Federal Reserve System and for stock of the Federal Reserve Bank of St. Louis, and has approved the application subject to certain conditions set forth in the letter.

Approved.

Letter to the Federal Reserve Agent at St. Louis stating that, in view of the proposed conversion of the Guaranty Bank and Trust Company of St. Louis, Missouri, into the Guaranty-Plaza Trust Company, the Federal Reserve Bank of St. Louis is authorized, effective if and when the conversion takes place and upon surrender of the Federal reserve bank stock issued to the Guaranty Bank and Trust Company, to cancel such stock and make appropriate refund thereon.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by four members of the Board on August 13, replying to Assistant Federal Reserve Agent Young's letter of July 29, 1932, in which he advised that the executive committee of the bank has considered the application of the Third National Bank of Rockford, Illinois, for additional fiduciary powers, and recommends, in the light of the condition of the bank as reflected by the report of examination as of June 13, 1932, that action on the application be deferred until the next report of examination of the institution has been received and analyzed; the Board's letter inclosing a memorandum prepared in its Division of Examinations, and stating that, in the light of the information set forth in the memorandum, it would appear that the Federal Reserve Board would be justified in taking favorable action on the application of the national bank without awaiting the report of the next examination. The letter also request-

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ed that the agent bring the memorandum to the attention of the executive committee of the Chicago bank for review and advice as to whether the committee sees any objection to the Board's taking favorable action on the application.

Approved.

Letter to the Federal Reserve Agent at Kansas City, approved by three members of the Board on August 17, 1932, stating that the Board has considered the application of the Union National Bank, Bartlesville, Oklahoma, for permission to exercise fiduciary powers, and, in view of the condition of the bank as disclosed by the report of examination of April 10, 1932, 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 report of the next examination of the national bank the agent transmit to the Board an analysis thereof, together with his recommendation in the premises.

Approved.

Letter to The First National Bank, Seguin, Texas, approved by three members of the Board on August 16, 1932, stating that the Board has approved the bank's application 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 Texas, the exercise of such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Reply, approved by three members of the Board on August 13, to a

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letter dated July 9, 1932, from the Federal Reserve Agent at Boston, with regard to the efforts which have been made to effect the cancellation of the Federal reserve bank stock issued to the Derry National Bank, Derry, New Hampshire, which institution was absorbed by the First National Bank in Derry in November, 1931; the agent recommending, because of the possibility of unfavorable publicity in connection with a receivership for the Derry National Bank, that the Comptroller of the Currency be not requested to appoint a receiver at this time. The reply requested the agent to submit a further recommendation in the matter not later than January 1, 1933, if in the meantime an application for cancellation of the stock has not been made, and suggested that in view of the fact that in some instances the Comptroller of the Currency does not insist that a national bank which has been placed in liquidation publish notice thereof immediately in the local newspaper, the agent consider the advisability of calling this matter to the attention of the national bank with the suggestion that it communicate with the Comptroller with reference to what his requirements will be in this case.

Approved.

Reply, approved by four members of the Board on August 13, to a letter dated July 18, 1932, from the Federal Reserve Agent at Richmond referring further to the shares of its own stock held by the Petersburg Savings and American Trust Company of Petersburg, Virginia, and inclosing a copy of a letter dated July 16, 1932, from the President of the bank stating that the stock cannot be sold at a reasonable figure at the present time and that the bank has, therefore, charged off the loss on the loan in connection with which the stock was taken and that the stock is being carried in the assets of the bank at a value of \$1.00 in the name of a trustee until such time as



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a sale can be made at a reasonable price; the Federal reserve agent advising that in his opinion this is as satisfactory a disposition as could be expected in the circumstances. The reply stated that the bank should dispose of the stock as soon as practicable and that, if it is not disposed of within six months, the Board should be advised as to the progress made in the matter.

Approved.

Memorandum dated August 13, 1932, from Mr. Vest, Assistant Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin a copy of the opinion rendered on August 12, 1932, by the Attorney General with reference to national bank notes issued pursuant to the provisions of section 29 of the Federal Home Loan Bank Act of July 22, 1932, together with a brief introductory statement in the form attached to the memorandum.

The publication of the opinion, with an amended introductory statement, having been approved by three members of the Board on August 15, 1932, was approved.

Reply to a letter dated August 17, 1932, from the Governor of the Federal Reserve Bank of Philadelphia inclosing a copy of a resolution adopted by the board of directors of the bank at its meeting on that date, approving the insertion in the budget for the proposed enlargement of the Philadelphia building of an item of \$10,000 to cover the employment of a clerk-of-the-works to supervise the work of construction and the omission from the budget of the item of \$50,000 for the employment of the United Engineers and Constructors, and requesting the approval by the Federal Reserve Board of the budget as so amended. The Governor's letter stated that the contract for the enlargement of the building has been awarded to Irwin and Leighton at their bid price of \$831,200 (1) on their cooperative fee basis proposal submitted

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with a guaranteed limit of cost and a sharing in any savings below this amount, 33% of the savings to go to the contractor, and (2) on the basis that the contractor submit a satisfactory list of sub-contractors. The reply stated that the Board approves the revised budget in the amount of \$960,885.

Approved.

Letter to the Chairman of the Federal Reserve Bank of San Francisco, approved by four members of the Board on August 17, 1932, referring to the comments and suggestions made by the Board's examiners in the report of examination of the San Francisco bank as of April 2, 1932, and requesting that the Chairman advise the Board of the action taken in each of these matters. The letter also requested that the report and the Chairman's reply to the Board's letter be brought to the attention of the board of directors of the San Francisco bank.

Approved.

Letter to the Federal Reserve Agent at Kansas City, approved by four members of the Board on August 18, 1932, inclosing a copy of a memorandum addressed to the Board by the Deputy Comptroller of the Currency under date of August 10, 1932, a copy of a letter received by the Comptroller from the Chief National Bank Examiner for the Tenth Federal Reserve District under date of June 18, 1932, and a copy of a letter written on August 10, 1932, by the Deputy Comptroller to the board of directors of the Miami County National Bank, Paola, Kansas, all relating to certain personal activities of Mr. Frank W. Sponable, President of the national bank and a Class A director of the Federal Reserve Bank of Kansas City, and to the general condition of the national bank; the Board's letter requesting that the agent furnish the Board with any information which the agent has in his possession regarding the

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matters referred to and any comments which he may care to make, and stating that pending receipt by the Comptroller of the Currency of a reply to his letter to the directors of the national bank, the Board does not ask the agent to conduct an investigation in the premises or make any inquiries on the outside, although he may wish to discuss the matter with the Chief National Bank Examiner.

Approved.

Letter to Deputy Governor Johns of the Federal Reserve Bank of Atlanta, approved by four members of the Board on August 16, 1932, replying to his letter of July 18, 1932, in which he referred to the ruling published on page 863 of the Federal Reserve Bulletin for 1918, holding that a member bank acting through another member bank may obtain the discount of its paper secured by Government bonds for a period as long as ninety days, and inquired whether in view of the language of the synopsis of this ruling contained in the Board's digest of rulings such paper in order to be rediscountable must be secured by Government bonds or may be secured by paper eligible for rediscount; the Board's letter stating that the synopsis of the ruling was not intended to extend the meaning or affect its interpretation in any way, but that the proceeds of a note made by a member bank may not properly be said to have been used in the first instance for a commercial, agricultural or industrial purpose and, therefore, unless such a note is secured by obligations of the United States, it is not eligible for rediscount at a Federal reserve bank when offered by another member bank. The letter also stated that in considering the desirability of discounting for a member bank a note of another member bank secured by Government bonds with a maturity in excess of fifteen days, due regard should be given to the question whether the transaction between the two member banks has been

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entered into in good faith or merely as an indirect means of obtaining Federal reserve bank credit on the note in question for a period in excess of fifteen days.

Approved.

Reply, approved by three members of the Board on August 17, to a letter addressed to the Treasury Department under date of August 3, 1932, by Mr. L. W. Mitchell, Assistant Cashier of the Seaboard Citizens National Bank, Norfolk, Virginia, inquiring whether under the Federal Reserve Act United States 2% Consol Bonds due in April, 1930, are refundable at a 3% rate, the reply outlining the provisions of section 18 of the Federal Reserve Act on this matter and stating that the authority contained in that section for the exchange of the bonds referred to is limited to cases in which application for the exchange is made by a Federal reserve bank, and does not extend to cases in which the bonds are offered for exchange by a national bank.

Approved.

Reply, approved by four members of the Board on August 18, to a letter dated July 22, 1932, from Mr. J. W. Adams, Division Manager of the American Telephone & Telegraph Company, Washington, D. C., with further regard to the proposed renewal contract covering the telephone and telegraph services furnished to the Board by that company.

Approved.

Telegram dated August 18, 1932, from the Governor of the Federal Reserve Bank of New York stating that to assist in the work of the bank's direct loan department and more especially in the studies which the bank is making of the credit situation in the district with a view to ascertaining if and to what extent credit is needed in various trades and industries which

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is not being or cannot be supplied by commercial banks, the bank has appointed, on a temporary basis, Mr. Everett N. Case, as a member of that department to work in conjunction with the Banking and Industrial Committee of the Second Federal Reserve District which is actively pursuing these studies with the Federal reserve bank, and that, subject to the approval of the Federal Reserve Board, Mr. Case's salary has been fixed at the rate of \$4,800 per annum. The telegram outlined the experience and qualifications of Mr. Case and called attention to the fact that he is the son of the Chairman and Federal Reserve Agent of the Federal reserve bank, but stated that in view of the temporary character of the appointment it was felt that this relationship is not a just obstacle to the employment. In this connection, it was observed by the members present that Mr. Case is also a son-in-law of Deputy Chairman Owen D. Young.

After a brief discussion, the Secretary was requested to advise the Governor of the New York bank that action on the salary fixed for Mr. Case has been deferred pending a meeting of the Federal Reserve Board next week.

Telegram dated August 17, 1932, from Assistant Federal Reserve Agent Post at Philadelphia and letter dated August 18, 1932, from Deputy Governor Hutt stating that the board of directors of the Federal Reserve Bank of Philadelphia has voted to establish a rediscount rate of 3% on trade acceptances, effective the first business day following that on which approved by the Federal Reserve Board; Mr. Hutt advising that this action was taken to support the efforts of the Banking and Industrial Committee of the Third Federal Reserve District which is making a special appeal to business men and bankers to extend the use of the trade acceptance, the hope having been expressed that the announcement of a preferential rate would stimulate the member banks

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in taking a greater interest in this form of commercial paper. Deputy Governor Hutt's letter also stated that the only trade acceptances offered to the Federal Reserve Bank of Philadelphia come from member banks and that there is no open market for such paper in the district.

After a brief discussion, the Secretary was requested to advise Deputy Governor Hutt that action on the rate established by the Philadelphia bank has been deferred pending a meeting of the Board next week.

Telegram dated August 18, 1932, from the Chairman of the Federal Reserve Bank of San Francisco stating that, subject to the approval of the Federal Reserve Board, the board of directors has established the following rates for discounts under the third paragraph of section 13 of the Federal Reserve Act as amended:

Maturities up to ninety days:	
Trade acceptances	5%
Notes, drafts and bills of exchange secured by readily marketable staples	6%
Other notes, drafts and bills of exchange	7%
All classes of paper over ninety days	7%

After a brief discussion, the Secretary was requested to advise the Chairman of the San Francisco bank that the Executive Committee of the Board has considered the proposal of the board of directors of the bank, but, inasmuch as it differs from the action taken by ten other Federal reserve banks with the approval of the Federal Reserve Board, action has been deferred pending a meeting of the Board next week.

Reports of Standing Committee dated August 11, 13, 16 and 19, 1932, recommending approval of the following changes in stock at Federal reserve banks:

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<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 5.</u>		
Kimball National Bank, Kimball, W. Va. (Increase in capital and surplus)	41	
First National Bank, Bassett, Va. (Increase in surplus)	3	
Planters National Bank in Fredericksburg, Va. (Increase in surplus)	2	
American National Bank & Trust Co., Danville, Va. (Increase in surplus)	1	47
<u>District No. 7.</u>		
The Security Trust and Savings Bank, Shenandoah, Iowa. (Increase in surplus)	1	
Hillsdale Savings Bank, Hillsdale, Mich. (Increase in surplus)	1	
The Farmers Bank, Mason, Michigan. (Increase in surplus)	1	3
	<u>Total</u>	<u>50</u>
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
Citizens National Bank, Rahway, N. J. (V.L.Abs. by Rahway National Bank)	75	
Farmers National Bank, Adams, N. Y. (V.L.Abs. by Citizens Trust Company, member)	120	195
<u>District No. 3.</u>		
First National Bank of Delta, Delta, Pa. (V.L.Abs. by Peoples National Bank)	60	60
<u>District No. 4.</u>		
First National Bank of Whitesburg, Ky. (Insolvent)	60	60
<u>District No. 5.</u>		
National Citizens Bank, Charles Town, W. Va. (Decrease in surplus)	23	
Citizens National Bank, Frostburg, Md. (Decrease in surplus)	42	
First National Bank of Shelby, Shelby, N. C. (Decrease in surplus)	150	215
<u>District No. 6.</u>		
Peoples Bank, Evergreen, Alabama. (Insolvent)	180	
First National Bank, Sylacauga, Alabama. (Insolvent)	45	225
<u>District No. 7.</u>		
First National Bank in Aurora, Illinois. (Insolvent)	240	
Buchanan County National Bank, Independence, Iowa. (Insolvent)	90	

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 7. (Cont'd)</u>		
The Consolidated National Bank, Dubuque, Iowa. (Insolvent)	360	
Commercial National Bank, Waterloo, Iowa. (Insolvent)	300	
State National Bank, Iowa Falls, Iowa. (Insolvent)	<u>45</u>	1,035
 <u>District No. 9.</u>		
First National Bank, Fingal, N. D. (V.L.Suc. by Fingal State Bank, nonmember)	18	18
 <u>District No. 12.</u>		
First National Bank of Burns, Oregon. (Insolvent)	66	
First National Bank, Alhambra, Calif. (V.L.Abs. by Bank of America National Trust and Savings Association, San Francisco, California.)	150	
First National Bank of Mesa, Mesa, Arizona. (Insolvent)	<u>72</u>	<u>288</u>
	<u>Total</u>	<u>2,096</u>

Approved.

Thereupon the meeting adjourned.

Olester Moriel  
Secretary.

Approved:

G. R. James  
Chairman, Executive Committee.