A meeting of the Federal Reserve Board was held in Washington on
Wednesday, August 31, 1932, at 12:00 o'clock noon.

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

Mr. Morrill, Secretary
Mr. Wyatt, General Counsel
Mr. Siems, Federal Reserve Examiner.

The Board considered and acted upon the following matters:

Telegram dated August 24, 1932, from the Chairman of the Federal Re-
serve Bank of Boston, and letter dated August 25, 1932, from the Assistant
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 August 25, 1932, from Assistant Secretary Noell re-
questing authority to employ two men for a period not exceeding five days,
at a rate of $0.40 per hour, to assist in arranging the Board’s supply of
bulletins, annual reports, and other material in the Board’s new offices in
the Shoreham Building; the request having been approved by five members of
the Board on August 25.

Approved.

Memorandum dated August 25, 1932, from Assistant Secretary Noell
recommending an extension for thirty days from August 26, 1932, of the leave
of absence without pay on account of illness granted by the Board to Miss
Mary E. Everett, an employee in the Issue and Redemption Division of the
office of the Comptroller of the Currency; the recommendation having been
Memorandum dated August 18, 1932, from Mr. Wingfield, Assistant Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin the text of the Act of July 21, 1932, amending section 502 of the World War Adjusted Compensation Act, together with the Board's Regulation G and the regulations of the Veterans' Administration as recently revised in accordance with the amendment, together with a brief introductory statement in the form attached to the memorandum; Mr. Wingfield's recommendation having been approved by five members of the Board on August 26.

Telegraphic reply, approved by five members of the Board on August 26, 1932, to a telegram of that date from Deputy Governor Paddock of the Federal Reserve Bank of Boston, requesting an extension to September 9, 1932, of the authority previously granted by the Board to the Boston bank to advance under the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Quincy Trust Company, Quincy, Massachusetts, not exceeding $250,000, at a rate of 5 1/2% per annum, payable on demand; Deputy Governor Paddock stating that conditions are more satisfactory in the community, but that it is considered desirable that the reserve bank remain in a position to render assistance should necessity arise. The reply stated that the Board authorizes the Boston bank, until September 9, 1932, to make the advance, subject to the terms and conditions recommended, the amount of $250,000 to include the amount of $74,000 stated in Deputy Governor Paddock's telegram as now outstanding.

Unanimously approved.

Telegraphic reply, approved by five members of the Board on August
26, 1932, to a telegram of that date from Deputy Governor Paddock of the Federal Reserve Bank of Boston, requesting an extension to September 9, 1932, of the authority previously granted by the Board to the Boston bank to advance, under the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Peoples National Bank, Southbridge, Massachusetts, not exceeding $75,000, at a rate of 5 1/2% per annum, payable on demand; Deputy Governor Paddock stating that the situation in the community is quiet but that it is considered desirable that the reserve bank remain in a position to render assistance should necessity arise. The reply stated that the Board authorizes the Boston bank, until September 9, 1932, to make the advance, subject to the terms and conditions recommended, the amount of $75,000 to include the amount of $35,000 stated in Deputy Governor Paddock's telegram as now outstanding.

Unanimously approved.

Telegraphic reply, approved by five members of the Board on August 25, 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 Salt Springs National Bank, Syracuse, New York, in the amount of $45,000, for a period of ninety days, at a rate of 5 1/2% per annum, on the security of miscellaneous bonds with a margin of at least 25%; Deputy Governor Rounds stating that the bank has liquidated the advance made under the authority granted by the Board on July 25, 1932, but that it has experienced continued withdrawals, and, that it has a surety bond in the amount of $100,000 securing a deposit of State funds, which expires on August 26, and which it desires to replace by the purchase of State bonds. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.
Telegraphic reply to a telegram dated August 30, 1932, from Assistant Deputy Governor Gidney of the Federal Reserve Bank of New York requesting authority for a renewal for a period of ninety days from August 31, 1932, in the amount of $40,000, at a rate of 5 1/2% per annum, on the security of customers' secured and unsecured ineligible notes amounting to approximately $100,000, of the advance made by the Federal Reserve Bank of New York in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the First National Bank of Bolivar, New York; Mr. Gidney stating that the conditions existing at the time the original advance was made remain unchanged. The reply stated that the Board authorizes the renewal of the advance subject to the terms and conditions recommended.

Unanimously approved.

Letter to the Chairman of the Federal Reserve Bank of Cleveland, approved by six members of the Board on August 26, 1932, referring to the report of examination of that bank made by the Board's examiners as of May 28, 1932, and requesting that the Board be advised as to any action that may have been taken with regard to the matters discussed with the officers of the bank by the examiners; particular reference being made in the letter to the discontinuance by the bank of the handling of Canadian currency, the purchase by the bank of two portraits at $1,500 each, and the payment of per diem allowances to local directors. The letter also requested that the Chairman bring the report of examination and his reply to the Board's letter to the attention of the board of directors of the Cleveland bank.

Approved.
Letter to Assistant Federal Reserve Agent Young at Chicago, approved by five members of the Board on August 27, 1932, replying to his letter of August 16, 1932, transmitting the application of the Wheaton Trust and Savings Bank of Wheaton, Illinois, for permission to reduce its capital stock from $100,000 to $50,000; the reply stating that in view of the fact that the population of Wheaton, as shown by the last decennial census was 7,258, the amount of capital required for the organization of a national bank in that place is $100,000, and the Board cannot properly approve a reduction in the capital stock of the applicant below that amount. The reply also stated that the action of the bank in reducing its capital to an amount less than $100,000 constitutes a failure to comply with the provisions of section 9 of the Federal Reserve Act, for which its membership in the system may be forfeited unless the bank should voluntarily withdraw from membership in the manner provided by law, and requested the Assistant Federal Reserve Agent to explain these facts to the member bank and to advise the Board of the results of his communication and submit a recommendation of his Executive Committee as to the action which should be taken by the Federal Reserve Board in the circumstances.

Approved.

Letter to the Federal Reserve Agent at Philadelphia, approved by six members of the Board on August 27, replying to Assistant Federal Reserve Agent Hill’s letter of August 22, 1932, transmitting a voluntary notice of intention to withdraw from membership in the Federal Reserve System, filed under date of August 18, 1932, by the Liberty Trust Company, Allentown, Pennsylvania, with a request that the company be permitted to withdraw immediately; the reply stating that, in view of the fact that the trust
company has sold and transferred its banking business to the Lehigh Valley Trust Company, a nonmember, but will continue to operate as a mortgage guaranty company, the Board has waived in this case the usual requirement of six months notice and will permit the member institution to withdraw from membership immediately.

Approved.

Reply, approved by five members of the Board on August 27, to a letter dated August 16, 1932, from the Federal Reserve Agent at San Francisco inclosing a voluntary notice of intention to withdraw from membership in the Federal Reserve System, filed under date of August 11, 1932, by the Live Stock State Bank, North Portland, Oregon, with the request that the bank be permitted to withdraw from membership immediately; the reply stating that the Board has reviewed the information submitted and, in accordance with the recommendation of the executive committee of the San Francisco bank, has denied the request of the bank for permission to withdraw from membership immediately. The letter also stated that at the expiration of six months from the date the notice of intention to withdraw was received by the Federal reserve bank, and upon surrender of the Federal reserve bank stock issued to the Live Stock State Bank, the San Francisco bank is authorized to cancel such stock and make appropriate refund thereon.

Approved.

Letter to the Federal Reserve Agent at San Francisco, approved by four members of the Board on August 27, referring to previous correspondence with regard to the transaction by which the Coffman Dobson Bank & Trust Company, Chehalis, Washington, a member, acquired certain of the assets and assumed certain of the liabilities of the First National Bank of Chehalis,
and stating that it is apparent from a review of the information submitted that the action of the member bank has resulted in no material change in the general character of its assets or a 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 that the Board will, therefore, interpose no objection to the transaction.

Approved.

Reply, approved by four members of the Board on August 30, to a letter dated August 24, 1932, from Stinchfield, Mackall, Crouse, McNally & Moore, attorneys, Minneapolis, Minnesota, inquiring whether the Federal Reserve Board has made any rulings with respect to the authority of a trust officer of a national bank to withdraw securities pledged with the trust department of the bank to secure trust funds deposited in its commercial department and to substitute other securities therefor without the approval of a banking official; the reply stating that the regulations of the Board do not contain any requirement on this subject and that the matter has not been the subject of a ruling by the Board.

Approved.

Reply to a letter dated August 25, 1932, from Deputy Governor Crane of the Federal Reserve Bank of New York stating that, at the meeting of the board of directors on that date, it was voted, subject to the approval of the Federal Reserve Board, to authorize the officers of the bank to arrange for the renewal of the bank’s participation of approximately $22,500,000 in the credit to the Reichsbank for a period not exceeding three months from September 5, 1932, on the same terms and conditions as the last renewal and provided all other participants in the credit agree to do likewise; the
letter also stating that it would appear at this time that there will be no repayment on the principal amount of the credit on September 5, 1932, under the provisions of the amortization clause which was included in the contract of renewal of June 4, 1932. The reply stated that the Board will interpose no objection to the action contemplated by the directors of the New York bank and requested that the bank advise if and when arrangements for the renewal are completed.

Approved.

Letter to the Secretary of the Treasury, approved by five members of the Board on August 24, 1932, referring to the decision of the Comptroller General of the United States that employees of the Bureau of Engraving and Printing engaged upon "repay work" are subject to the provisions of section 101 of the Economy Act, that the amounts withheld from the compensation of such employees by the reason of the operation of this statute must be impounded, and that the fact that the compensation actually paid such employees has been reduced by the operation of the Economy Act does not authorize any reduction in the amount of the cost of printing Federal reserve notes and postage stamps which is to be reimbursed to the Government by other agencies; the Board's letter stating that, in reaching the conclusions mentioned, it does not appear that the Comptroller General had before him the applicable provisions of the Federal Reserve Act; that in the judgment of the Federal Reserve Board the decision of the Comptroller General that the impounding provision of the Economy Act is applicable in the case referred to and that no reduction in the amount of the cost of printing Federal reserve notes is authorized in such circumstances is not warranted by law;
and that the Board feels that the Federal reserve banks, which are required by the Federal Reserve Act to pay only the necessary expenses of the printing and issuing of Federal reserve notes, are entitled under the law to the benefit of any reduction in the amount of such expenses by reason of a reduction in the amount of the compensation paid employees for the work of producing such notes. The letter also stated that in these circumstances the Federal Reserve Board requests the Secretary of the Treasury to ask the Comptroller General to reconsider his decision on these points, and inclosed a proposed letter to the Comptroller General setting forth in more detail the reasons for the Board's position in the matter.

Approved.

Mr. Miller then reported that in accordance with the request of the Board at the meeting on August 24, 1932, he talked over the telephone with the Governor of the Federal Reserve Bank of San Francisco regarding the rates proposed to be charged by that bank for discounts for individuals, partnerships and corporations in accordance with section 13 of the Federal Reserve Act, as amended, and that Governor Calkins had advised that, while the proposed rates had been adopted by the board of directors of the bank, there was no strong feeling on their part as to the particular basis on which rates should be fixed nor any pressing necessity for immediate action. Mr. Miller stated that he had pointed out the various questions which had been raised by the members of the Board, and, as a result of the discussion, during which Governor Calkins' attention was called to the fact that ten of the other Federal reserve banks had already adopted a flat rate of 6% with the approval of the Federal Reserve Board, Governor Calkins said he would bring the matter up for consideration at the next meeting of the executive
committee or board of directors of the bank.

The Secretary then stated that, in accordance with the request of the Board at the meeting on August 24, 1932, he had talked over the telephone with Deputy Governor Hutt of the Federal Reserve Bank of Philadelphia regarding the discount rate of 3% proposed by that bank on trade acceptances; that Mr. Hutt had advised that he had nothing to add to the statements contained in his letter of August 18, 1932, and that the matter would be brought to the attention of the board of directors of the bank at its next meeting for further consideration.

Reference was then made to the letter approved by the Board on August 19, 1932, to the Guaranty Bank and Trust Company, St. Louis, Missouri, stating that the Federal Reserve Board has approved the application made on behalf of the Guaranty-Plaza Trust Company, St. Louis, Missouri, which institution is to be formed by the consolidation of the Guaranty Bank and Trust Company and the Plaza National Bank, for membership in the Federal Reserve System, subject among others, to the following special condition:

"Prior to admission of the Guaranty-Plaza Trust Company to membership, there shall be charged off, or a reserve provided for, all depreciation in other bonds that will be acquired by such trust company except those classified in the four highest grades by a recognized investment service organization regularly engaged in the business of rating or grading securities. Such reserve may be in the form of surplus in addition to that required by condition numbered one above, undivided profits or a specific reserve."

The Secretary stated that he had talked over the telephone at different times with the Federal Reserve Agent at St. Louis with regard to the compliance of the consolidated bank with the conditions of membership imposed by the Board, and that the agent had advised that the efforts which have been made up to the present time to secure sufficient new money to
comply with the condition above referred to had been unsuccessful and that he now recommends that the Board modify the conditions so as to require the consolidated bank to make the charge-offs by November 1, 1932, or withdraw at that time from membership in the Federal Reserve System. The Federal reserve agent further stated, Mr. Morrill said, that the matter would be discussed at the meeting of the executive committee of the St. Louis bank today when it was believed the committee would concur in the agent's recommendation.

Discussion ensued during which reference was made to the delicate banking situation in St. Louis, and to the fact that the Plaza National Bank is at the present time experiencing a slow loss of deposits and, if the consolidation is not effected, may be forced to close its doors. It was expressed as the feeling of the members present, however, that the Board should not give further consideration to the agent's recommendation until it has definite assurance that the amount of new money necessary to comply with the conditions above referred to, estimated to be approximately $79,000, cannot be raised by cash contributions or in some other satisfactory manner.

At the request of the Board Mr. James talked with the Federal Reserve Agent at St. Louis on the telephone and upon his return to the meeting reported that he had explained to the agent the position of the Board and that the agent had stated that he would discuss the situation further, particularly with the Chief National Bank Examiner for the Eighth Federal Reserve District, and submit another report to the Board.

After some further discussion the matter was referred to Mr. James and Mr. Pole as a committee to carry on further discussions with the Federal Reserve Agent and the Chief National Bank Examiner and to make a recommendation as to the action to be taken by the Board.
Reports of Standing Committee dated August 27 and 29, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<table>
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<th>Applications for ORIGINAL Stock:</th>
<th>Shares</th>
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<tr>
<td>District No. 7.</td>
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<tr>
<td>First National Bank in Champaign, Illinois.</td>
<td>180</td>
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<tr>
<td>District No. 8.</td>
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<tr>
<td>First National Bank in Lake Village, Arkansas.</td>
<td>30</td>
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<td>Total</td>
<td>234</td>
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Approved.

Thereupon the meeting adjourned.

Approved:

Chairman, Executive Committee.