

A meeting of the Federal Reserve Board was held in Washington on Friday, September 2, 1932, at 10:10 a. m.

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:

Letter dated September 1, 1932, from the Assistant Secretary of the Federal Reserve Bank of New York, and telegram of the same date from the Chairman of the Federal Reserve Bank of San Francisco, both advising that at meetings of the boards of directors on the date stated no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply, approved by three members of the Board on September 1, in accordance with the authority granted at the meeting on August 10, to a telegram dated September 1, 1932, from the Chairman of the Federal Reserve Bank of San Francisco stating that the board of directors of the bank on that date voted, subject to the approval of the Federal Reserve Board, to adopt a rate of 6% on loans under the third paragraph of section 13 of the Federal Reserve Act, as amended by the Act of July 21, 1932; the reply stating that the Board approves the rate of 6%, effective September 2, 1932.

Approved.

Letters to the Federal Reserve Agent at Chicago, approved by five members of the Board on September 1, referring to Assistant Federal Reserve Agent Young's letters of August 22, 1932, regarding the deficiencies for six consecutive months in the reserves of the Citizens Commercial and Savings

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Bank, Flint, Michigan, the Bank of Saginaw, Michigan, the Washington Savings Bank, Washington, Michigan, the First National Bank, Avoca, Michigan, the First National Bank, Hillsdale, Michigan, and the Millington National Bank, Millington, Michigan; the replies noting that the Assistant Federal Reserve Agent's letters do not contain a recommendation as to the action which should be taken by the Board in these cases, and stating that it is assumed that the matter was considered by the executive committee of the bank and that it was thought inadvisable that the Board should take any action at this time. The replies requested that the agent confirm this understanding and stated that on this assumption the Board will take no action at this time other than to forward a copy of the Assistant Federal Reserve Agent's letter with regard to the deficient reserves of the national banks to the Comptroller of the Currency, but requested the agent to keep in close touch with each of the institutions referred to and, when in the opinion of the executive committee of the Federal reserve bank action by the Federal Reserve Board is deemed advisable, to submit a recommendation to the Board.

Approved.

The Secretary then stated that he had received a request from Mr. French Strother, Administrative Assistant to the President, for copies of all statements published by the Board during 1928 and 1929 indicating the policy or attitude of the Federal Reserve Board toward credit conditions. The Secretary stated that the records of the Board disclose that statements were made during that period in the Board's annual reports, and the Federal Reserve Bulletins, in press statements, in public addresses by certain members of the Board and in testimony given by members at Congressional hearings.

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At the conclusion of the ensuing discussion, the Secretary was authorized to send Mr. Strother marked copies of the annual reports and Federal Reserve Bulletins for 1928 and 1929 and a copy of an official press statement of the Board released on August 8, 1929, all of the other material being omitted because it did not come within the scope of Mr. Strother's request.

Mr. Hamlin then moved that there be included in the material furnished Mr. Strother the press statement given out by Governor Young on November 20, 1929, following the visit of the members of the Advisory Council at the White House.

Motion lost, Mr. Hamlin voting "aye".

Reference was made to the discussion at the meeting on August 31, 1932, with regard to compliance by the Guaranty-Plaza Trust Company, St. Louis, Missouri, with the third condition of membership contained in the Board's letter of August 19, 1932. The Secretary stated that the Federal Reserve Agent at St. Louis had advised him that a further conference on the matter of raising additional money with which to meet the charge-offs required by the conditions, had been without result and that Mr. F. R. von Windegger, President of the Guaranty Bank & Trust Company, who had come to Washington for the purpose, desired to appear before the Board with regard to the matter. The Secretary also read a telegram just received from the President of the St. Louis Clearing House Association expressing the hope that the Board would take a liberal view of the situation involved in the matter of the consolidation of the Plaza National Bank and the Guaranty Bank and Trust Company of St. Louis to form the Guaranty-Plaza Trust Company.

Mr. von Windegger was then invited into the meeting and he reviewed for the information of the members present the organization and history of

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the Guaranty Bank and Trust Company and the Plaza National Bank. He stated that the question of the consolidation of these institutions had been suggested to his bank on four occasions, but that it was not until April of this year that a satisfactory plan was presented, which was discussed with the Federal Reserve Agent at St. Louis, and Mr. von Windegger quoted the agent as saying that he thought it was the only thing to do in the circumstances. He said also that the plan had been approved by the State banking authorities and the Chief National Bank Examiner.

When the negotiations for the consolidation were under way, Mr. von Windegger stated, it was suggested by counsel that it be ascertained definitely from the Federal Reserve Bank of St. Louis that the membership of the consolidated bank would continue. Upon communicating with the Assistant Federal Reserve Agent at St. Louis, Mr. von Windegger said that he was assured that the application would go through and would meet the approval of the Federal Reserve Board. On that assurance the negotiations were continued, and it was not until August 23, 1932, when the Board's letter of August 19, 1932, was received, that the banks were advised of the conditions imposed by the Board, prior to which time the contemplated consolidation had become known to the public, leaving the banks, Mr. von Windegger said, with no other alternative than to complete the consolidation. Mr. von Windegger further stated that the consolidation is to be effected tomorrow, September 3, and it is the desire of the bank to have its admission to membership in the Federal Reserve System completed at that time. He also said that his directors feel that after having secured a commitment from the Federal Reserve Agent at St. Louis, it is unfair to them to enforce the conditions of membership of which the directors were not advised until August 23, 1932; that this is

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not the time to start to clean up the situation in the two banks; and that they do not see any necessity for the contribution of further money to protect the depositors. Mr. von Windegger also stated that he feels very strongly that the consolidated bank should be opened as a member of the Federal Reserve System.

It was then explained that while the Board is sympathetic and desires to be helpful in the situation, the conditions imposed were based upon its general policy with respect to criticized matters. Mr. Pole pointed out that, on the basis of the last examinations, the Plaza National Bank is contributing to the consolidated institution net assets in the amount of \$175,000 after charging off all known losses and depreciation, while the entire capital account of the Guaranty Bank and Trust Company had been wiped out by depreciation in investments.

Mr. von Windegger then referred to the recommendation of the Federal Reserve Agent at St. Louis which had been made orally, that the bank be given until November 1, 1932, to comply with the third condition of membership requiring the charge-off of depreciation in investments, and asked that this course be adopted so that Mr. von Windegger could have more time to discuss the matter further with his board of directors.

A general discussion followed during which it was suggested that the directors, instead of making a cash contribution in the amount of approximately \$79,000, which would enable the consolidated bank to comply with all of the conditions imposed by the Board, might execute a guaranty to remove from the bank any depreciation remaining in the investment account at a later date.

It was also suggested that, in the event admission to membership is not completed at the time the consolidated bank is opened for business, the

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new institution could maintain a nonmember clearing account with the Federal Reserve Bank of St. Louis until a decision is reached upon the compliance by the bank with the conditions of membership.

Further discussion followed with regard to a guaranty by the directors and Mr. von Windegger requested that the Board furnish him with a statement which he might present to his board of directors.

Mr. von Windegger then left the meeting, and after some further discussion the Secretary was authorized to send the following telegram to the Federal Reserve Agent at St. Louis and to furnish Mr. von Windegger with a copy:

"Re membership of Guaranty-Plaza Trust Company, St. Louis, on basis of \$200,000 capital and \$50,000 surplus, Board will waive cash contribution to provide for depreciation in defaulted bonds classified below four highest grades, if before admission to membership directors guarantee to make good the net amount all loss and depreciation on such bonds at end of six months from admission to membership. Board has therefore amended condition number 3 set forth in letter of August 19, 1932, to Guaranty-Plaza Trust Company, St. Louis, by adding at end thereof the following: Quote Provided that depreciation in bonds classified below the four highest grades but upon which there has been no default need not be charged off or a reserve provided therefor prior to admission to membership if directors of consolidated institution whose financial responsibility is satisfactory to the Federal Reserve Agent at St. Louis execute and place in the custody of the Federal Reserve Agent, prior to bank's admission to membership, an agreement in form satisfactory to the counsel of the Federal Reserve Bank of St. Louis guaranteeing the bank against loss on such bonds and undertaking to pay the bank at the end of six months from the date of admission to membership the net amount of (1) all losses actually incurred on such bonds and (2) all depreciation on such bonds appearing as a result of an appraisal thereof at the end of such six months on the basis of the market values at that time, provided, however, that the maximum amount which the directors shall be required to pay may be limited by the terms of such agreement to \$79,000 Unquote."

Reports of Standing Committee dated August 31 and September 1, 1932, recommending approval of the following changes in stock at Federal reserve banks:

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<u>Application for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
Citizens and Farmers Trust Company, Adams, N.Y. (Increase in surplus)	15	15
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 1.</u>		
Millers River National Bank, Athol, Mass. (Decrease in surplus)	15	
Strafford National Bank, Dover, New Hampshire. (Decrease in surplus)	<u>60</u>	75
 <u>District No. 6.</u>		
First National Bank, Coal Creek, Tennessee. (Decrease in surplus)	7	7
 <u>District No. 7.</u>		
First National Bank, Eldora, Iowa. (Insolvent)	60	
First National Bank, Indianola, Iowa. (Insolvent)	<u>42</u>	102
 <u>District No. 8.</u>		
Peoples National Bank & Trust Co., Sullivan, Ind. (Insolvent)	120	120
 <u>District No. 12.</u>		
The Enumclaw National Bank, Enumclaw, Washington. (V.L.Abs. by First National Bank of Enumclaw)	<u>48</u>	48
	<u>Total</u>	<u>352</u>

Approved.

Thereupon the meeting adjourned.

O. Ester Moulton
Secretary.

Approved:

G. R. James
Chairman, Executive Committee.