A meeting of the Federal Reserve Board was held in Washington on Wednesday, September 21, 1932, at 10:30 a.m.

PRESENT: Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. Tames
Mr. Magee

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel.

The following matters were presented for the consideration and action of the Board:

Telegram dated September 21, 1932, from the Chairman of the Federal Reserve Bank of St. Louis, advising that, at the meeting of the board of directors of the bank on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply, approved by five members of the Board on September 20, to a telegram of September 19, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting approval of a renewal in the reduced amount of $50,000, for a period of ninety days from September 22, 1932, at a rate of 5 1/2% per annum, 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 Gavitt National Bank, Lyons, New York; the reply stating that the Federal Reserve Board authorizes the renewal in the reduced amount, as requested by the bank.

Unanimously approved.

Telegraphic reply, approved by three members of the Board on September 20, 1932, to a telegram of that date from Deputy Governor Rounds of the
Federal Reserve Bank of New York, requesting authority to purchase from the Alpha National Bank, Alpha, New Jersey, a tax anticipation note of the Borough of Alpha in the amount of $5,000; 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 the amount of the note offered exceeds 25% of the total outstanding warrants of the municipality.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by five members of the Board on September 21, referring to Mr. Young's letter of September 12, 1932, submitting information relative to the unsatisfactory reserve records of certain banks in the Seventh Federal Reserve District; the letter stating that the Board has previously advised the agent that it will take no action at this time in the matter of the reserve deficiencies of the Citizens Commercial & Savings Bank of Flint, Michigan, the Peoples State Bank of Milan, Michigan, the Bank of Saginaw, Michigan, the Washington Savings Bank of Washington, Michigan, and the First National Bank of Northboro, Iowa, and that as it is assumed from Mr. Young's letter of September 12 that the reserve deficiencies of the Peoples American State Bank of Saginaw, Michigan, and the Greensburg National Bank of Greensburg, Indiana, the other banks referred to, have not been continuous for a period of six months or more, the Board will take no action at this time in regard to these institutions, other than to forward a copy of Mr. Young's inclosures concerning the two national banks to the Comptroller of the Currency for the information of his office.

Approved.
Reply, approved by five members of the Board on September 21, to a letter dated September 7, 1932, from the Federal Reserve Agent at Dallas inclosing a copy of notice of intention to withdraw from membership in the Federal Reserve System filed under date of September 5, 1932, by the First State Bank of Bishop, Texas, with the request that the bank be permitted to withdraw from membership immediately; the reply stating that, in accordance with the agent’s recommendation and in view of the circumstances outlined in his 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 member-
ship immediately. The reply also requested the agent to forward to the Board, for its records, the letter received from the vice president of the First State Bank of Bishop giving notice of the bank’s intention to with-
draw from membership, since under the terms of the law such a notice itself, rather than a copy thereof, should be retained in the Board’s records.

Approved.

Letter to the Federal Reserve Agent at Philadelphia, approved by four members of the Board on September 21, with further regard to loans made by the Wilmington Trust Company of Wilmington, Delaware, to certain of its officers and employees for the purpose of enabling them to purchase stock of that trust company; the letter stating that, in view of the circumstances described in the agent’s letter of August 2, 1932, and in accordance with his recommendation, the Board will not at this time interpose any objection to the plan proposed by the management of the Wilmington Trust Company for elimination of these loans to its officers and employees, but that the Board reserves the right to take any action at any time with regard to this matter which it deems advisable in the circumstances then existing, after due notice
to the trust company. The letter also requested the agent to advise the Wilmington Trust Company of the Board's position in this matter and after the next examination of the trust company to inform the Board of the progress made in the elimination of these loans.

Approved.

Letter to the Federal Reserve Agent at Philadelphia, approved by five members of the Board on September 21, 1932, advising that the Federal Reserve Board has deferred action on the application of the United States National Bank of Johnstown, Pennsylvania, for permission to exercise trust powers under the provisions of section 11(k) of the Federal Reserve Act, made in contemplation of its proposed absorption of the United States Trust Company, the United States Savings and Trust Company of Conemaugh and the Johnstown Trust Company, all located in Johnstown, Pennsylvania; the letter stating that in the event the absorption is to be effected, the Board is willing to grant the United States National Bank permission to act in the specific trusts taken over from the three State institutions, provided that, prior to the absorption, the national bank obtains at least $1,000,000 of new funds, to provide for estimated losses and depreciation on investments in the three State institutions beyond what will be provided for through the utilization of the present capital account of such institutions, and provided further that the securities having a market value of approximately $125,000, which the directors of the State institutions have pledged with the State Banking Department of Pennsylvania are also turned over to the national bank for this purpose. The letter referred to the practice in the United States Trust Company and Johnstown Trust Company whereby the trust department of each of these institutions has purchased mortgages from the
commercial departments of the respective institutions and issued participation certificates against such mortgages, in which funds of various trusts held by the institutions are invested. The letter advised in detail with respect to previous rulings of the Federal Reserve Board regarding the collective investment of funds of trusts held by a national bank in mortgages or other securities held by the trust department of the national bank.

Approved.

Letter to the Federal Reserve Agent at Cleveland, approved by five members of the Board, referring to Mr. Fletcher's letter of September 8, 1932, with regard to the stock of the Commonwealth Trust Company of Pittsburgh, Pennsylvania, which is held by that trust company as collateral security for certain of its loans; the letter stating that it is noted that the stock was taken by the Commonwealth Trust Company in June of this year as additional security for loans which had been made previously, that accordingly such stock has not been held by the trust company for a period of more than six months, and that the agent has received assurances from the vice president of the trust company that the stock will be disposed of prior to the first of December of this year. The letter requested the agent to advise the Board as soon as it is feasible after the first of December, as to the disposition which has been made of this matter.

Approved.

Report of the Committee on Salaries and Expenditures on a letter dated September 13, 1932, from Deputy Governor Helm of the Federal Reserve Bank of Kansas City, requesting approval by the Board of a change in the personnel classification plan of the bank to provide for the new position of "Assistant to Officer in Charge" in the Loans, Rediscounts and Acceptances
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Department, with a salary range of $2500-$3000; the Board's committee recommending approval.

Approved.

Reply to a letter dated September 8, 1932, from the Chairman of the Federal Reserve Bank of Boston stating that at a meeting of the board of directors of the bank, held on September 7, it was voted that "subject to the approval of the Federal Reserve Board, the Governor be and he is hereby authorized to pay to Mr. Carl P. Dennett, Chairman of the Banking and Industrial Committee of this district, the sum of $298.08 in reimbursement for the expenses of that committee up to September 1, 1932", that the principal items in this account are salaries of a stenographer and an assistant, that it is assumed other similar requests have been received by the Board from other districts, and that it is desired that the bank be advised as to the policy which the Board has adopted with respect to them.

The reply stated that the Board has received no such requests from other Federal reserve banks and consequently has had no occasion to formulate a policy with respect to the matter, but that it is the Board's understanding that other Federal reserve banks have followed substantially the same practice as that adopted by the Federal Reserve Bank of New York, which is to provide the Banking and Industrial Committee with the assistance of members of the bank's official and clerical staff, together with the use of offices and facilities in the Federal Reserve Bank Building for the accommodation of the committee, to such reasonable extent as may be possible without impairment of the performance of the other duties of the bank's organization.

The reply also stated that, in view of the fact that it appears that the Federal Reserve Bank of Boston has already undertaken to reimburse the
Banking and Industrial Committee of the First Federal Reserve District in the sum of $298.08 for the expenses of that committee up to September 1, 1932, the Board will interpose no objection to the payment of this sum, and that if other similar expenses have been incurred since September 1 subject to the same understanding, the Board will interpose no objection to the reimbursement of the committee by the Federal reserve bank to the extent of such reasonable amounts therefor as the board of directors of the Federal reserve bank deems proper, with the understanding that, as to such future expenses as may be necessary to enable the committee to function in carrying out the purpose for which it was formed, the Federal reserve bank will adopt the practice followed by other Federal reserve banks, as outlined above.

Approved.

Circular letter to the Governors of all Federal reserve banks, approved by six members of the Board on September 16, 1932, inclosing copies of correspondence between the Secretary of the Treasury and the Comptroller General with regard to the request of the Secretary of the Treasury for a reconsideration of the Comptroller General's decision that no reduction in the charge made against Federal reserve banks for the printing of Federal reserve notes may be made as a result of the reduction in the compensation of employees engaged in the printing of such notes by the operation of the Economy Act of 1932; the letter stating that, in view of the Comptroller General's affirmation of his previous decision, the charge against the Federal reserve banks for the printing of Federal reserve notes during the fiscal year 1933 will be at the rate of $90.50 per one thousand sheets.

Approved.

Reply, approved by five members of the Board on September 20, to a
letter dated August 22, 1932, from Deputy Comptroller of the Currency Gough presenting an inquiry from the Chief National Bank Examiner at Kansas City, Missouri, as to whether a time certificate of deposit payable by one bank to another and due within thirty days should be classified as an amount "due to banks" or as a demand deposit in preparing reports of condition and in computing the amount of reserve to be carried with the Federal reserve bank; the reply stating that, under the provisions of section 19 of the Federal Reserve Act, "the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Federal reserve banks shall be determined", that an amount which will not become due and payable until a future date is not an amount "due" within the meaning of this provision, and that, accordingly, a certificate of deposit which will be due and payable to another bank within thirty days, but has not yet become due, may not properly be classified as an amount due to banks. The reply further stated that inasmuch as such a certificate is payable within thirty days it constitutes a demand deposit under the law and should be so classified by a member bank, both in preparing reports of condition and in computing the amount of its required reserves.

Approved.

Letter dated September 20, 1932, to Mr. Shelley E. Tracy, Dallas, Texas, advising him that while the Board appreciates his interest in the matter of advertising by the Federal reserve banks, and is glad to have his suggestions, it regrets that it cannot see its way clear to give favorable consideration to the advertising program which he has in mind.

Approved.
There was discussion with regard to the desirability of holding this year a meeting with Federal Reserve Agents and Governors of the Federal Reserve Banks and it was decided tentatively to fix Monday, November 14, 1932, as the date for convening the meeting. The Secretary was requested to communicate with Governor Calkins and Federal Reserve Agent Curtiss, Chairman of their respective conferences, with a view to ascertaining whether the tentative date will be satisfactory.

In connection with the above, it was suggested that among the topics for discussion with the Federal reserve agents be included the policy and procedure in granting permits under the provisions of the Clayton Act relating to interlocking directorates.

The Secretary then presented a letter dated September 19, from the Federal Reserve Agent at St. Louis with regard to the condition of membership imposed by the Board upon the Guaranty-Plaza Trust Company, St. Louis, Missouri, in the Board's letter to that institution of August 19, as modified by the Board's telegram to the Federal reserve agent under date of September 2, 1932; the Federal reserve agent advising that the president of the Guaranty-Plaza Trust Company desires the condition further modified (1) that the guarantee of the directors shall be a guarantee, in effect, to purchase bond depreciation up to the sum of $79,000 so that any subsequent increase in the market price of the bonds will enable the guarantors to obtain corresponding reimbursement; (2) that the guarantee shall be several and not joint, limiting the liability of each guarantor; and (3) that the Federal reserve agent be permitted to accept a guaranty which does not include two of the directors, because of a possibly adverse effect upon their business relationships. The Federal reserve agent requested advice
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from the Board, stating that while he is willing to and does recommend approval of the first and third modifications stated, he is not willing to agree that the guarantee should not be joint and several.

Referred to the Executive Committee with power.

Mr. Hamlin advised the Board that he expects to leave Washington this evening for a visit to the Federal Reserve Banks of Philadelphia, New York and Boston, returning to Washington early next week.

Reports of Standing Committee dated September 21, 1932, recommend-
ing approval of the following Clayton Act applications:

Mr. A. M. Wright, for permission to serve at the same time as director and officer of the United States National Bank of Portland, Oregon, as director of the United States National Bank of McMinnville, Oregon, and as director and officer of the Union State Bank of Portland, Oregon.

Mr. John D. Ryan, for permission to serve at the same time as director of the National City Bank of New York, New York, and as director of the Metals Bank and Trust Company of Butte, Indiana.

Approved.

Thereupon the meeting adjourned.

[Signatures]

Approved:

Governor.

Secretary.