

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Wednesday, October 26, 1932, at 11:10 a. m.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Siems, Federal Reserve Examiner.

PRESENT ALSO: Mr. George DeCamp, Federal Reserve Agent, Federal Reserve Bank of Cleveland.

Mr. DeCamp presented to the Board an analysis of a report of examination of the Guardian Trust Company, Cleveland, Ohio, as of February 29, 1932.

Mr. DeCamp stated that in his opinion the analysis, showing a highly unsatisfactory condition, is a strong indictment of the management of the trust company, but that he believes the loan and investment policies, because of the present condition of the company, will be conservative in the future. He stated that the bank is cooperating in every way in attempting to effect economies, that the State Banking Department has required the company to use its reserves for losses and depreciation and \$2,000,000 from its surplus account to charge off established losses, and that if all losses are not satisfactorily adjusted by January 15, 1933, the State Department will require an additional charge to the surplus account, in which requirement the Federal reserve bank has concurred. Mr. DeCamp stated that it is believed the trust company should be given time to work out of its difficulties, because any action taken against it at this time might have a disturbing effect on the general banking situation in Cleveland.

Mr. DeCamp read the recommendation in connection with the analysis made by him as Chairman and concurred in by the Deputy Chairman of the board

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of directors of the bank, and by the Governor, that the Federal Reserve Board take no action in the case at the present time. Mr. DeCamp explained, upon inquiry, that this recommendation is intended as a recommendation to the Board that no action be taken at this time with regard to the membership of the Guardian Trust Company in the Federal Reserve System.

A general discussion ensued during which reference was made to the large losses incurred by the trust company, the large amount of criticized assets, the character and policies of the management which are largely responsible for the present condition of the trust company, and the impairment of its capital, taking into consideration all bond depreciation. The question was raised as to whether the directors have been approached with regard to bringing new money into the institution. Mr. DeCamp stated that this matter had not been discussed with the directors by his office or, so far as he knew, by the State Banking Department, because it was felt that resulting publicity would have a detrimental effect and might possibly result in a run on the bank. It was pointed out, however, that on the basis of the investment practices of the management as shown by the analysis of report of examination which indicates certain speculative investments, the management and directors were under some responsibility to rehabilitate the capital of the bank, and that the suggestion could be made, at least to the executive committee of the bank, without the matter being given any publicity on the outside. In response to a further inquiry Mr. DeCamp stated that, so far as he knew, the condition of the bank has not been disclosed to the directors other than possibly the members of the executive committee, and that the discussion of the report of examination with the officers of the bank by the representative of the State Banking Department was not partici-

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pated in by a representative of the Federal reserve bank.

Further discussion developed the consensus of the members present that, in view of all the circumstances, the Board is warranted in deferring action in the matter until it has had an opportunity to carefully review the analysis submitted by Mr. DeCamp and that it should have for its information, in connection with its review, the copy of the report of examination received by the Federal reserve agent's office from the Ohio State Banking Department. Mr. DeCamp was requested to forward the report of examination to the Board, together with his comments on phases of the bank's condition which might require consideration by the Board.

Mr. DeCamp then presented a report of examination as of April 11, 1932, of the First-Central Trust Company, Akron, Ohio, a member institution, a report of examination of the First-City Savings Bank, Barberton, Ohio, as of August 8, 1932, and a copy of an agreement covering the proposed purchase of the assets of the Barberton institution by the First-Central Trust Company of Akron. He outlined the circumstances in connection with the present control of the Barberton institution by the First-Central Trust Company.

At the conclusion of the ensuing discussion, during which Mr. Vest, Assistant Counsel, joined the meeting, Mr. DeCamp was requested to submit a formal letter concerning the proposed transaction, together with his recommendation as to what action, if any, should be taken by the Board in connection therewith.

Reference was then made to a letter received from Mr. Strater, Cashier of the Federal Reserve Bank of Cleveland under date of October 24, 1932, stating that, in connection with the activities of the Banking and Industrial Committee of the Fourth Federal Reserve District, the Federal reserve bank had employed temporarily a number of extra people in accordance

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with the provisions of the bank's personnel classification plan, and requesting approval of the salaries fixed by the executive committee at the rate of \$6,000 per annum for Mr. Earle E. Martin who has been temporarily appointed Publicity Manager for the Banking and Industrial Committee, and at the rate of \$3,000 per annum for Mr. Harry K. Hauck, who has been temporarily appointed Office Manager for the Share-the-Work movement.

A general discussion ensued, at the conclusion of which Mr. DeCamp was requested to furnish the Board with detailed information as to the extra employees engaged in accordance with the personnel classification plan of the bank; a complete statement of the reasons which, in the opinion of the board of directors or executive committee of the bank, justified the employment of these people and, particularly, of Messrs. Martin and Hauck; and information as to whether any compensation has been paid to Messrs. Martin and Hauck, who appear to have been employed on June 21, 1932, and September 21, 1932, respectively.

Messrs. DeCamp, Siems, and Vest then left the meeting.

Mr. Miller expressed the opinion that the Federal reserve bank has no greater interest in the Share-the-Work movement than any other corporation similarly situated and should not be called upon to pay the salary of Mr. Hauck, and he moved that the salary fixed by the executive committee for Mr. Hauck be disapproved.

After discussion, Mr. Miller's motion was laid on the table pending receipt of the additional information requested of Mr. DeCamp.

It was suggested that Mr. Siems be requested to discuss with Mr. DeCamp, while he is in Washington, the condition of the trust department of the Guardian Trust Company of Cleveland. Secretary's Note: Mr. Siems later reported that he was advised by Mr. DeCamp that no examination of the trust department was made in connection with the examination of the Guardian Trust Company as of February 29, 1932, and no recent information regarding the

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condition of the department is available.

The Committee then considered and acted upon the following matters:

Letters dated October 13 and 20, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated October 14, 1932, from the Secretary of the Federal Reserve Bank of Atlanta and the Chairman of the Federal Reserve Bank of Dallas, October 19, 1932, from the Chairmen of the Federal Reserve Banks of Boston, Philadelphia and St. Louis, October 20, 1932, from the Chairman of the Federal Reserve Bank of San Francisco, and October 22, 1932, from the Secretary of the Federal Reserve Bank of Kansas City, 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.

Telegraphic reply, approved by five members of the Board on October 24, 1932, to a telegram of that date from the Governor of the Federal Reserve Bank of Boston stating that the advance made to the Peoples National Bank, Southbridge, Massachusetts, in accordance with the provisions of section 10(b) of the Federal Reserve Act, now outstanding in the amount of \$35,000, has not been repaid and no demand for payment has been made, stating that there has been very little change in the situation which occasioned the advance, and recommending that the advance be continued without demand for payment. The reply stated that the Board interposes no objection to the continuance of the advance in the amount outstanding, with interest at the rate of 5 1/2% per annum, and payable on demand. The reply further stated that in the event the advance is not repaid nor demand for payment made within thirty days from October 24, the matter should again be presented to

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the Board with a statement of the conditions which, in the opinion of the bank, justify continuance of the advance without demand for payment.

Approved.

Telegraphic reply, approved by five members of the Board on October 14, to a telegram dated October 13, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an additional advance to the First National Bank in Mamaroneck, New York, in accordance with the provisions of section 10(b) of the Federal Reserve Act, in the amount of \$30,000, for a period of ninety days, at a rate of 5 1/2% per annum, and on the security of miscellaneous collateral notes, unsecured notes and mortgages with a margin of at least 25%; Deputy Governor Rounds stating that the purpose of the loan is to remove a like amount of notes securing an eligible commercial paper advance the makers of which have gone into bankruptcy. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended, on the assumption that the exigent circumstances described in Mr. Rounds' telegram of August 22, 1932, still exist.

Approved.

Telegraphic reply, approved by five members of the Board on October 14, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for a further advance to the Atlanta National Bank, Atlanta, New York, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, in the amount of \$5,000, for a period of ninety days, at a rate of 5 1/2% per annum, and on the security of miscellaneous domestic bonds with a margin of at least 25%; Deputy Governor Rounds stating that the farmers in that section are not moving their crops, which is resulting in an extension of loans and the withdrawal of deposits from the national bank. The reply stated that

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the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply, approved by five members of the Board on October 22, to a telegram dated October 21, 1932, 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, to the Pelham National Bank, Pelham, New York, in the amount of \$100,000, for a period of ninety days, with interest at the rate of 5 1/2% per annum, and on the security of customers' collateral notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank has suffered a seepage in deposits and will have to meet a heavy municipal withdrawal part of which will be met with the proceeds of this advance. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply, approved by five members of the Board on October 22, to a letter dated October 20, 1932, from Deputy Governor Johns of the Federal Reserve Bank of Atlanta, requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act, to the First National Bank of Commerce, Tarpon Springs, Florida, in the amount of \$18,800, for a period of six months, with interest at the rate of 5 1/2% per annum, and on the security of bills receivable aggregating \$57,091.42; Deputy Governor Johns' letter outlining the exceptional and exigent circumstances giving rise to the application for the advance. The reply stated that the Federal Reserve Board authorizes the advance subject

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to the terms and conditions recommended.

Approved.

Telegraphic reply to a telegram dated October 24, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority to purchase from the Metuchen National Bank, Metuchen, New Jersey, \$55,700 of tax notes of the Borough of Metuchen. The reply stated that the Board authorizes the purchase with the understanding that the notes meet all requirements of the Board's Regulation E except as to the population of the issuing municipality and that the amount of notes offered exceeds 25% of the total warrants of the municipality outstanding.

Approved.

Letter to the Acting Comptroller of the Currency, approved by three members of the Board on October 19, 1932, stating that in accordance with the recommendation contained in the Acting Comptroller's letter of October 13, 1932, the Federal Reserve Board has approved a salary at the rate of \$4,000 per annum for National Bank Examiner Lysle S. Burk, assigned to the Seventh Federal Reserve District.

Approved.

Memorandum dated October 17, 1932, from the Director of the Division of Research and Statistics, stating that Miss Beatrice Bulla and Miss Helen L. Mason, employees in that division, have been seriously ill and recommending that each be granted a leave of absence with pay on account of illness for a period not to exceed thirty days, in addition to the thirty days leave regularly granted by the Board in cases of illness.

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Letter to the Chairman of the Federal Reserve Bank of Dallas, approved by three members of the Board on October 14, 1932, stating that the Board approves a salary at the rate of \$200 per month for Mr. J. Floyd Clouse who has been appointed to the appraised position of special representative in the insolvent banks department of the bank.

Approved.

Reply, approved by three members of the Board on October 19, to a letter dated October 11, 1932, from the Federal Reserve Agent at New York reporting that the First National Bank in Mamaroneck, New York, the National Bank of Newport, New York, and the First National Bank, Sodus, New York, have been continuously deficient in their required reserves for a period of six consecutive months. The reply stated that the Board has considered the information contained in the agent's letter and, in accordance with his recommendation, will take no action at this time relative to these reserve delinquencies, other than to forward a copy of the agent's letter to the Acting Comptroller of the Currency for the information of his office. The reply also requested that the agent advise the Board, within a reasonable time, as to whether the banks referred to have restored and are maintaining their required reserves.

Approved.

Reply, approved by three members of the Board on October 25, to a letter dated October 13, 1932, from the Federal Reserve Agent at Philadelphia reporting that the First National Bank, Darby, Pennsylvania, has been continuously deficient in its required reserves for a period of six consecutive months. The reply stated that in view of the information submitted and in accordance with the agent's recommendation, the Board will take no

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action in the matter at this time other than to forward a copy of the agent's letter to the Acting Comptroller of the Currency for the information of his office and to call his attention to the agent's statement regarding the management of the bank with the suggestion that he consider whether steps can be taken to bring about an improvement therein. The letter also requested the agent to advise the Board, within a reasonable time, as to whether the bank continues to maintain its reserves, which have been sufficient since the first of October.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by three members of the Board on October 25, referring to Assistant Federal Reserve Agent Young's letter of October 13, 1932, advising that the First National Bank, Montpelier, Indiana, was continuously deficient in its required reserves during the period of seven months ended April 15, 1932, and that since that date the reserves of the bank have been sufficient for only five computation periods. The reply stated that in view of the information submitted, and in accordance with the recommendation of the agent's office, the Board will take no action in the matter at this time other than to forward a copy of Mr. Young's letter to the Acting Comptroller of the Currency for the information of his office. The reply also requested that the agent advise the Board, within a reasonable time, whether the bank has restored its reserves to the required amount and whether such reserves are being currently maintained.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by three members of the Board on October 19, with regard to Assistant Federal Reserve

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Agent Young's letter of October 11, 1932, reporting that the First National Bank, La Harpe, Illinois, has been continuously deficient in its required reserves for six months. The Board's letter stated that in view of the information submitted, and the recommendation of the agent's office, the Board will take no action in the matter at this time other than to forward a copy of Mr. Young's letter to the Acting 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 three members of the Board on October 20, with regard to Assistant Federal Reserve Agent Young's letter of October 13, 1932, advising that the Peoples Savings Bank, Coopersville, Michigan, was continuously deficient in its required reserves during the period July 31, 1931, to April 1, 1932. The Board's letter stated that in view of the information contained in correspondence received from the Federal reserve agent's office, the Board will take no action in the matter of the reserve deficiencies of the member bank, pending the outcome of its efforts to reorganize. The letter also requested the agent to advise the Board of the results accomplished by the bank in this direction.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by five members of the Board on October 25, with regard to Assistant Federal Reserve Agent Young's letter of October 13, 1932, reporting that the First National Bank, Little Rock, Iowa, has been continuously deficient in its required

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reserves since March 15, 1932. The reply stated that in accordance with the recommendation of the agent's office, the Board will take no action in the matter at this time other than to forward a copy of Mr. Young's letter to the Acting Comptroller of the Currency for the information of his office. The reply also requested advice as to whether the deficiencies in the bank's reserves are the result of a wilful disregard of the requirements of the law and whether the bank has restored and is maintaining its required reserves.

Approved.

Reply, approved by three members of the Board on October 17, to a letter dated October 3, 1932, from the Federal Reserve Agent at Dallas reporting that the First National Bank, Channing, Texas, was continuously deficient in its required reserves during the period of six months ending September 15, 1932. The reply stated that in view of the information submitted the Board is forwarding a copy of the agent's letter to the Acting Comptroller of the Currency for consideration and such action as he may deem appropriate in the premises. 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.

Reply, approved by three members of the Board on October 25, to a letter dated October 14, 1932, from the Federal Reserve Agent at San Francisco reporting that the First National Bank, Paul, Idaho, has been continuously deficient in its required reserves since October 1, 1931, except the reserve computation period ending February 29, 1932. The reply stated that in accordance with the agent's recommendation the Board will take no action in the matter at this time other than to forward a copy of the agent's letter to the Acting Comptroller of the Currency for the information of his

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office. The reply 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 Acting Comptroller of the Currency, approved by three members of the Board on October 18, 1932, referring to the representation of the Merchants National Bank in Plattsburg, New York, that it will be impossible, during the present unsettled conditions, for the bank to increase its capital in accordance with the condition imposed by the Board at the time it granted authority to the national bank to exercise trust powers; stating that the Board previously deferred action on the matter pending receipt of another report of examination, which was made on July 22, 1932; and requesting that, upon receipt of a reply from the directors of the national bank to a letter addressed to them by the Acting Comptroller of the Currency with regard to the desirability of strengthening the capital structure of the bank, he advise the Board as to the attitude of the directors with respect to the proposed increase in the bank's capital accounts and what requirements his office proposes to make in the event that any action taken or plan submitted by the directors does not provide a satisfactory rehabilitation of the bank.

Approved.

Letter to the President of the Union National Bank of Cadiz, Ohio, approved by three members of the Board on October 20, 1932, transmitting a certificate showing that the national bank has duly surrendered its right to act in fiduciary capacities and is no longer authorized to exercise trust powers under the provisions of section 11(k) of the Federal Reserve Act;

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together with letters to the Federal Reserve Agent at Cleveland, and the Acting Comptroller of the Currency, also approved by three members of the Board on October 20, advising of the issuance of the certificate above referred to. The Assistant Secretary reported for the record that the Assistant Federal Reserve Agent at Cleveland has recommended that the right of the bank to exercise trust powers be terminated, and that pursuant to the request made by the Board on April 22, 1932, the Acting Comptroller of the Currency had advised that the bank has been discharged or otherwise relieved of its duties as fiduciary.

Approved.

Letter to the First National Bank-Detroit, Detroit, Michigan, approved by three members of the Board on October 25, 1932, inclosing a certificate showing the authority of the bank to exercise, in its new name, the trust powers previously granted to it under the title First Wayne National Bank of Detroit.

Approved.

Reply, approved by three members of the Board on October 25, to a letter dated October 19, 1932, from the Federal Reserve Agent at Chicago inclosing the voluntary notice, filed under date of October 19, 1932, by the Central Republic Bank and Trust Company, Chicago, Illinois, of its intention to withdraw from membership in the Federal Reserve System with the request that it be permitted to withdraw from membership immediately. The reply stated that, in view of the agent's recommendation and the fact that the institution has discontinued the business of deposit and discount, the Board has waived the usual requirement of six months notice so as to permit the bank to withdraw from membership immediately.

Approved.

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Reply, approved by three members of the Board on October 25, to a letter dated October 20, 1932, from the Acting Comptroller of the Currency with regard to the application of the Wyoming National Bank, Casper, Wyoming, for permission to reduce its capital stock from \$250,000 to \$200,000. The reply noted the conclusion reached by the Comptroller's office not to approve the application at this time.

Approved.

Reply, approved by five members of the Board on October 25, to a letter dated October 3, 1932, from the Federal Reserve Agent at Dallas transmitting the application of the National Bank of Fort San Houston, San Antonio, Texas, for a reduction in its required reserves from 10% to 7% of demand deposits; the reply stated that in accordance with the agent's recommendation the Board grants permission to the national bank, effective with the reserve computation period beginning on Wednesday, November 2, 1932, to maintain the reduced reserve, it being understood that such permission is subject to revocation by the Federal Reserve Board at any time after appropriate notice to the member bank.

Approved.

Telegraphic reply, approved by three members of the Board on October 24, to a letter and telegram dated October 22, 1932, from Assistant Federal Reserve Agent McAdams of the Federal Reserve Bank of Kansas City, transmitting the application of the Fidelity Savings State Bank, Topeka, Kansas, for permission to rediscount paper acquired from certain nonmember banks listed in the application; the reason given for the application being that its reduced deposits make it necessary for the member bank to borrow at the reserve bank and that the great bulk of its loans and discounts come to it

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through its country nonmember bank correspondents. The reply stated that the Board authorizes the Kansas City bank, in its discretion, for a period of six months from October 24, 1932, to rediscount for the Fidelity Savings State Bank, Topeka, Kansas, good and eligible paper acquired from or bearing the signature or indorsement of the nonmember banks listed in the application. The reply also stated that it is the opinion of the Board that no such paper should be rediscounted for the member 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.

Reply, approved by four members of the Board on October 20, to a letter dated October 4, 1932, from the Federal Reserve Agent at Philadelphia, transmitting a request of the Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pennsylvania, for permission to organize a bank in Ardmore, Pennsylvania, and to acquire all of the capital stock of such institution except directors' qualifying shares. The reply stated that, while the Board does not look with favor upon the acquisition by a member bank of stock in another bank or trust company, it has given careful consideration to all of the facts involved in the present case, and, on the basis of such facts and in view of the provision of Section 9 of the Federal Reserve Act which forbids a member bank to retain its membership in the Federal Reserve System if it establishes a branch beyond the city, town or village in which the parent bank is situated, the Board does not feel that it can properly grant the Pennsylvania Company for Insurances on Lives and Granting Annuities the permission for which it has applied, and has accordingly denied the request. The reply further stated that the acquisition

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and ownership by member banks of substantially all of the capital stock of a bank located beyond the limits of the city in which such bank is situated would have practically the same effect as the establishment of a branch of such bank beyond the limits of the city in which it is located and would be contrary to the spirit and purpose of the provision of section 9 of the Federal Reserve Act referred to.

Approved.

Letter to the Federal Reserve Agent at Cleveland, approved by three members of the Board on October 25, with regard to Assistant Federal Reserve Agent Fletcher's letter of September 29, 1932, relative to the action of the Cleveland Trust Company, Cleveland, Ohio, a member, in acquiring for liquidation the assets of the Peoples Savings Bank, Lorain, Ohio, a nonmember, and assuming its deposit and loan liabilities. The Board's letter stated that, in the absence of a classification of the assets of the Peoples Savings Bank, the Federal Reserve Board, in accordance with the agent's recommendation, will defer until after the next examination of the Cleveland Trust Company consideration of the question whether the transaction will result in any material change in the general character of the assets of the company or 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.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by three members of the Board on October 20, 1932, referring to the absorption on April 4, 1932, of the Dundee State Savings Bank, a nonmember, by the Monroe County Bank, a member, both of Dundee, Michigan, and stating that it appears

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from the information submitted by the Federal reserve agent that the transaction was of an emergency nature and that it did not result in any material change in the general character of the assets of, or in the scope of the functions exercised by, the member institution within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System, and that the Federal Reserve Board, therefore, interposes no objection to the transaction. The letter also referred to the highly unsatisfactory condition of the member bank and requested the agent to keep in close touch with the situation and arrange for participation in the next examination, keeping the Board advised of any developments in the institution during the interim.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by three members of the Board on October 20, with regard to Assistant Federal Reserve Agent Young's letter of October 1, 1932, advising that on September 19, 1932, the savings deposit liability of the Mishawaka St. Joseph Loan and Trust Company, Mishawaka, Indiana, a nonmember, was assumed by the St. Joseph Loan and Trust Company, South Bend, Indiana, a member; the Assistant Federal Reserve Agent stating that arrangements are being made for an independent examination of the member trust company in order to determine whether the transaction has resulted in any change in the general character of the assets of the South Bend institution or in the scope of the functions exercised by it at the time of its admission to membership in the Federal Reserve System. The letter to the Federal reserve agent stated that the Board will defer, until after receipt of the report of the proposed examination, its consideration of the question whether the transaction has resulted in any material

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change in the character of the bank's assets or in the scope of the functions exercised by it within the meaning of the general condition of membership to which the trust company is subject.

Approved.

Letter to the Federal Reserve Agent at Philadelphia, approved by three members of the Board on October 21, 1932, referring to criminal irregularities involving certain employees of the Peoples Savings and Trust Company of Nanticoke, Pennsylvania, and inclosing copies of correspondence between the Department of Justice and the United States Attorney relative to the disposition of the matter. The Board's letter called attention to the statement contained in the inclosed correspondence that the persons involved in these irregularities are still in the employ of the member bank, and requested the agent to communicate with the bank and to ask that, if the facts are as stated in the report made to the Board by the agent on March 2, 1932, the bank consider the question whether it is advisable in the interest of the welfare of the bank and its employees to retain these persons in its service. The letter also requested the agent to keep in touch with the matter and inform the Board of the action taken.

Approved.

Reply, approved by three members of the Board on October 25, to a letter dated October 11, 1932, from the Federal Reserve Agent at Philadelphia furnishing additional information regarding the irregularities referred to in the analysis of report of examination of the Merchants Banking Trust Company of Mahanoy City, Pennsylvania, as of May 21, 1932. The reply stated that as the irregularities referred to occurred more than three years ago so that any prosecution would be barred by the statute of limitations, the Board

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is not reporting them to the Attorney General and the agent need not report them to the local United States attorney. The reply further stated that the Board desires to receive special reports on all matters of this character as promptly as possible regardless of whether or not the agent thinks prosecution could or should be undertaken, not only to enable the Board to give consideration to the question involved, but also because such matters have an important bearing upon the management of the member banks.

Approved.

Letter to Mr. Cornelius Vanderbilt, New York City, New York, approved by three members of the Board on October 25, 1932, with regard to the Clayton Act application filed by him for permission to serve as a director of The Chase National Bank of the City of New York and as a director of the Central Hanover Bank and Trust Company, New York City. The Board's letter stated that Mr. Vanderbilt's services in these capacities are covered by a permit previously granted by the Board and that in the circumstances a new permit is not necessary. The letter also stated that the Board is now considering certain general questions affecting a number of applications and permits under the Clayton Act and that the Board may make Mr. Vanderbilt's permit the subject of further consideration when it has reached its decision upon these general questions.

Approved.

Letter to Mr. John Gribbel, Philadelphia, Pennsylvania, inclosing a permit covering his service as a director of the Real Estate Trust Company, Philadelphia, Pennsylvania, as a director of the Philadelphia National Bank, Philadelphia, Pennsylvania, and as a director of the Exchange National Bank, Tampa, Florida. The letter stated that the Board is now considering certain

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general questions affecting a number of applications and permits under the Clayton Act and may make the permit issued to Mr. Gribbel the subject of further consideration when it has reached its decision upon these general questions.

Approved.

Letter to the Governor of the Federal Reserve Bank of New York, approved by four members of the Board on October 25, 1932, with reference to loans granted by the bank under the provisions of the third paragraph of section 13 of the Federal Reserve Act, as amended, to Scaramelli and Company, Incorporated, and to S. Shuff's Sons, Incorporated, and stating that it is assumed from the information contained in the revised schedules furnished the Board covering these loans that the parties whose names are shown in the schedules as indorsers and guarantors signed the combination form of indorsement and guaranty contained in the printed form of note used, and that the loans were not secured unless the combination indorsements and guaranties by the same parties constitute security within the meaning of the law. The letter requested that in the future whenever the Federal Reserve Bank of New York makes any advance or commitment under the provisions of the third paragraph of section 13 of the Federal Reserve Act, it require that in addition to being indorsed the paper discounted be otherwise secured to the satisfaction of the bank in some manner other than by guaranties of the parties who indorsed the paper.

Approved.

Reply, approved by three members of the Board on October 25, to a letter dated October 3, 1932, from Mr. J. B. Anderson, Assistant Federal Reserve Agent at Cleveland, raising a question as to the payment of Federal

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tax on certain firearms proposed to be purchased by the Federal Reserve Bank of Cleveland. The reply outlined the provisions of the law and stated that, as the tax is payable by the seller, sales to the Federal reserve banks are not exempt from the tax.

Approved.

Letter to the Governor of the Federal Reserve Bank of Richmond, approved by three members of the Board on October 20, 1932, stating that in accordance with the request of the board of directors of the Richmond bank, transmitted in Deputy Governor Peple's letter of October 13, 1932, the Federal Reserve Board has discontinued, as of October 1, 1932, the progressive penalty theretofore in effect in the Fifth Federal Reserve District, and that the Federal Reserve Bank of Richmond should not resume the assessment of progressive penalties for continued deficiencies without first obtaining the consent of the Federal Reserve Board.

Approved.

Telegraphic reply, approved by three members of the Board on October 20, to a letter dated October 18, 1932, from the Governor of the Federal Reserve Bank of Atlanta advising of approval by the executive committee of the bank of a proposed exchange, by the Havana Agency with the Cuban Treasury Department, of currency for Cuban gold coin within a limit of \$400,000, and inquiring as to whether the Board has any objection to the transaction. The reply stated that the Board interposes no objection to the arrangements authorized by the executive committee, it being understood that the exchange will be made under practically the same terms and conditions as governed the exchange in May, 1931, of gold coin of the United States for Cuban gold coin. The reply also requested that the Board be furnished promptly with a copy

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of the contract or agreement covering the proposed transaction.

Approved.

Telegraphic reply, approved by three members of the Board on October 22, to a telegram dated October 20, 1932, from the Chairman of the Federal Reserve Bank of Chicago raising the question as to how the name of a candidate for election as a Class B director of the bank, who had requested subsequent to his nomination that his name be withdrawn, and whose nomination had been withdrawn by some but not all of the nominating banks, should be shown on the ballot form. The reply suggested that, if the name of the nominee referred to has not been withdrawn by all banks which nominated him prior to the time when it is necessary to list the candidates, the Chairman, instead of including the name of the nominee with other candidates, append a note or statement to the list of candidates explaining the facts as to the nomination, the nominee's request for withdrawal of his name from consideration, and the withdrawal thereof by some of the banks which nominated him.

Approved.

Reply, approved by four members of the Board on October 25, 1932, to a letter dated October 13, 1932, from the Governor of the Federal Reserve Bank of Minneapolis, with regard to the authority of the regional agricultural credit corporations created by the Reconstruction Finance Corporation to rediscount paper with Federal reserve banks. The reply stated that such corporations are authorized under the law to discount with the Reconstruction Finance Corporation, the Federal reserve banks, and the Federal intermediate credit banks, any paper that they acquire which is eligible for such purpose, and that it is assumed that the corporations, before requesting the Federal

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reserve banks to rediscount their paper, will consult with the Reconstruction Finance Corporation and also will utilize their authority to rediscount with the Federal intermediate credit banks. The letter also stated that in the event that it should become desirable for the Federal reserve banks to rediscount paper for these corporations there are a number of questions to be considered with a view to obtaining some uniformity of policy and procedure among the Federal reserve banks in accepting such paper for rediscount. The letter further stated, in response to a specific inquiry, that it is the view of the Federal Reserve Board that if and when the Federal reserve banks are requested to rediscount paper for the regional agricultural credit corporations the offering in each case should be made to the Federal reserve bank of the district in which the head office of the offering corporation is located unless exceptional circumstances are presented which might render it desirable to follow some other course of procedure.

Approved.

Letter to Mr. George H. Dieter, Palmetto Fish and Oyster Company, Columbia, South Carolina, approved by three members of the Board on October 19, 1932, replying to his letter of September 15, 1932, to the Attorney General of the United States with regard to a check drawn by his company upon the First National Bank of Spartanburg, South Carolina. The letter to Mr. Dieter referred to his correspondence with the Federal Reserve Bank of Richmond regarding this matter and stated that the Board is unable to add anything in further explanation thereof, although it is assumed that he has taken up with the receiver of the First National Bank the matter of filing a claim for the amount owing to his company by the bank at the time of its closing, including the amount of the check in question.

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Approved.

Letter to the Governors of all Federal reserve banks, approved by three members of the Board on October 15, 1932, inclosing a copy of a letter dated September 13, 1932, from Deputy Governor Worthington of the Federal Reserve Bank of Kansas City, together with a copy of a memorandum prepared by the office of the Board's counsel, relating to an inquiry made by a Post Office inspector concerning the shipment by express by the Kansas City bank of the daily transcript of the account of the Treasurer of the United States and certain cash letters which the inspector feels should perhaps have been sent by mail rather than express. The Board's letter stated that the correspondence is being forwarded to the Governors for their information and with the request that they advise the Board in case they have any comments or information regarding similar incidents.

Approved.

Letter to the Governors of all Federal reserve banks, approved by three members of the Board on October 20, 1932, referring to the Board's letter of March 16, 1925, (X-4290) with regard to the expenditures of Federal reserve banks for welfare and educational work, and to the position of the Board that it cannot authorize expenditures of Federal reserve bank funds by way of donations to further purposes, no matter how worthy, which are not directly related to the conduct of the affairs of the banks. The letter stated that in reviewing the expenses of the Federal reserve banks it has been noted that in a number of instances expenses have been incurred for memorials, testimonials and floral offerings, for the purchase of portraits, and for other similar purposes; that ordinarily such expenditures would not seem to bear any reasonably direct relationship to the conduct of the business of the Federal reserve banks; and that, accordingly, it is the

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view of the Board that the banks should not make such expenditures. The letter requested that if in a particular case or for some special reason it is believed that an expenditure of this general character would be advantageous from the standpoint of the proper conduct of the business of the Federal reserve bank, a statement of the amount and nature of the proposed expenditure, with the reason therefor, should be submitted to the Board for consideration. The letter also requested the Federal reserve banks to furnish the Board with a list of all associations, clubs, societies, etc., to which membership dues or donations are being paid by the banks and branches, if any, together with a statement showing what the membership covers.

Approved.

Reply, approved by four members of the Board on October 25, to a letter dated October 18, 1932, from the Federal Reserve Agent at Boston as Chairman of the Federal Reserve Agents' Conference, inclosing a tentative program of topics to be discussed by the Federal reserve agents at the forthcoming meeting in Washington. The reply stated that the Board will prepare the program for its meeting with the governors and agents beginning on November 14, 1932, which may include some of the topics suggested by the various Federal reserve agents, with the understanding, of course, that at the conclusion of the Board's program the governors and agents may also discuss, if they so desire, any of the other matters not included on the Board's program to which they may wish to give consideration. The reply also called attention to the first topic on the tentative program submitted by Mr. Curtiss with regard to the policy and procedure which should govern in the future in granting permits under the provisions of the Clayton Act relating to interlocking directorates and to the discussion of that matter

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at the conference of Counsel for all Federal reserve banks on October 10 and 11, and stated that it was contemplated that the discussion at the conference of Counsel would be solely for the purpose of informing counsel as to the nature of the questions involved so that they might advise the respective Federal reserve agents more fully, and not for the purpose of expressing any view or reaching any conclusions thereon, and that consequently they took no action on the matter.

Approved.

Letter dated October 17, 1932, from the office of the Secretary of the Federal Advisory Council, stating that the next meeting of the Council will be held in Washington on Friday, November 18, 1932, and requesting a list of the topics which the Board desires the Council to discuss at that time.

Noted.

Reports of Standing Committee dated October 17, 20, 21 and 24, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u>		
First National Bank in Bristol, Tennessee.	188	
First National Bank, Homestead, Florida.	<u>21</u>	209
<u>District No. 7.</u>		
The National Bank of Martinsville, Indiana.	35	35
<u>District No. 9.</u>		
The American National Bank & Trust Company, Eau Claire, Wisconsin.	72	72
<u>District No. 11.</u>		
First National Bank in Pleasanton, Texas.	18	18
	<u>Total</u>	<u>334</u>

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<u>Applications for ADDITIONAL Stock:</u>		<u>Shares</u>	
<u>District No. 12.</u>			
Walker Bank & Trust Company, Salt Lake City, Utah.		6	6
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 4.</u>			
First National Bank, Georgetown, Kentucky.		24	24
(Decrease in surplus)			
<u>District No. 5.</u>			
First National Bank, Midland, Maryland.		16	16
(Decrease in surplus)			
<u>District No. 6.</u>			
First National Bank, Enterprise, Alabama. (Insolvent)	120		
Fourth and First National Bank, Nashville, Tennessee.			
(V.L.Abs. by American National Bank)	3,150		
Unaka and City National Bank, Johnson City, Tenn.			
(V.L.Suc. by Hamilton National Bank)	300		3,570
<u>District No. 7.</u>			
Cedar Rapids National Bank, Cedar Rapids, Iowa.			
(V.L.Abs. by Merchants National Bank)	510		
Peoples State Bank, Inlay City, Michigan.			
(Insolvent)	39		549
<u>District No. 8.</u>			
First National Bank, Bardwell, Kentucky. (Insolvent)	33		33
<u>District No. 12.</u>			
Monroe National Bank, Monroe, Washington. (V.L.Abs.			
by First National Bank of Monroe)	18		
Peoples State Bank, Walla Walla, Washington.			
(Insolvent)	90		108
		<u>Total</u>	<u>4,300</u>

Approved.

Reports of Standing Committee dated October 14 and 19, 1932, recommending approval of the following Clayton Act applications:

Mr. H. L. Machen, for permission to serve at the same time as director and officer of the Anglo California National Bank of San Francisco, California, and as director of the First National Bank of Oakland, California.

Mr. A. B. Wilder, for permission to serve at the same time as director of the Marquette National Bank, Minneapolis, Minnesota, and as director and officer of the University State Bank, Minneapolis, Minnesota.

Approved.

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Thereupon the meeting adjourned.

Wester Merrill
Secretary.

Approved:

Raymond T. Magee
Chairman, Executive Committee.