

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, October 27, 1932, at 12:00 o'clock noon.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Smead, Chief, Division of Bank Operations.

Mr. Smead referred to the action of the Board on May 5, 1932, in authorizing the Federal reserve banks to pledge Government securities as collateral for Federal reserve notes when the margin between (a) total cash reserves and eligible paper and (b) the amount of Federal reserve notes in circulation and the minimum 35% reserve required against deposits should be less than \$400,000,000 for all Federal reserve banks. He stated that, due principally to the fact that the Federal Reserve Bank of New York, which at the present time is pledging no Government securities, has experienced a substantial increase in its cash reserves as a result of gold imports and releases from ear-mark, the margin fixed by the Board was exceeded on Tuesday, October 25, by approximately \$1,500,000, an excess was narrowly avoided yesterday and the margin possibly will be exceeded today; despite the fact that the Federal Reserve Bank of New York on October 25 repurchased \$10,000,000, and on October 26, \$14,000,000, of Government securities previously sold to the Federal Reserve Bank of Boston under repurchase agreement. He said that he had discussed the developments in the situation with Deputy Governor Burgess of the New York bank, and that in order to keep within the margin of \$400,000,000 some further action might be necessary and that the desired result might be accomplished if the Federal Reserve Bank of New York were to make further purchases of Government securities

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from other Federal reserve banks now pledging such securities with their Federal reserve agents as collateral for Federal reserve notes.

After discussion Mr. Smead was authorized to telephone Deputy Governor Burgess, stating that he is doing so with the approval of the Board, and to suggest to Dr. Burgess that he explain the situation to the other Federal reserve banks and inform them that the Federal Reserve Bank of New York is willing to purchase from them such amounts of Government securities as may be sufficient to bring about any necessary correction in the situation. Mr. Smead was requested to report to the Board the results of his discussion with Dr. Burgess for consideration at a meeting of the Board to be held next week. It was pointed out that there will be an opportunity to review the policy with respect to pledging Government securities with the Federal reserve agents at a meeting of the Open Market Policy Conference which can be called following the joint conference of the Board with the Governors and Chairmen which is to take place beginning November 14.

Mr. Smead then left the meeting.

Letter to Mr. C. K. Boettcher, Denver, Colorado, stating that the Board has carefully reviewed the additional information submitted in his letter of May 3, 1932, in connection with his Clayton Act application for permission to serve at the same time as a director and officer of the Denver National Bank and as a director of the International Trust Company, both of Denver, Colorado, that the Board does not feel that the additional information justifies any change in the conclusion tentatively expressed in the letter addressed to Mr. Boettcher under date of April 2, 1932, and that the Board has, therefore, denied the application. The letter also stated that it will be necessary for Mr. Boettcher to resign either as a director of the International Trust Company or as a director and officer of the Denver National Bank, and requested him to advise the Board of the action taken in the matter.

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Approved.

Letter to the Federal Reserve Agent at St. Louis replying to his letter of July 26, 1932, inclosing the Clayton Act application of Mr. Albert M. Keller for permission to serve as a director of the Mercantile-Commerce National Bank in St. Louis, Missouri, and as a director of the Mercantile Commerce Bank and Trust Company of St. Louis; the Board's letter referring to the letter addressed to the Federal reserve agent under date of March 17, 1932, regarding the Clayton Act applications of Mr. E. J. Mudd and others and stating that the same considerations referred to in that letter apply to the application of Mr. Keller, and that action on the application will be deferred pending final determination of the matter referred to in the Board's letters of June 19, and August 19, 1931, with regard to the holding of stock of the Mercantile Commerce National Bank by the Mercantile Commerce Bank and Trust Company.

Approved.

Letter to the Federal Reserve Agent at Chicago referring to Assistant Federal Reserve Agent Young's letter of October 4, 1932, with regard to the cancellation of the Federal reserve bank stock issued to the City National Bank, Lansing, Michigan, which institution has been absorbed by the Capital National Bank but has not been placed in liquidation or in the hands of a receiver; the reply stating that the Federal Reserve Board is without lawful authority at this time to authorize the cancellation of Federal reserve bank stock issued to the City National Bank without the latter being placed in liquidation or in the hands of a receiver, and requesting the agent at the end of this year, if in the meantime the bank has not been placed in liquidation or in receivership, to consider the

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matter further and submit a report to the Board as to whether at that time the Comptroller of the Currency should be requested to appoint a receiver for the bank in order that its Federal reserve bank stock may be canceled.

Approved.

Memorandum dated September 12, 1932, from Mr. Vest, Assistant Counsel, stating that the forms of bonds prescribed by the Board for execution by Federal reserve agents and assistant Federal reserve agents have been found to be not entirely appropriate for use in the case of appointments of new incumbents to these positions, and recommending the adoption of the revised forms attached to the memorandum.

Approved.

Circular letter to the Governors of all Federal reserve banks stating that the general instructions governing the preparation of reports of earnings and expenses of Federal reserve banks issued by the Board in December, 1922, have been revised effective as of December 1, 1932, for the purpose of including therein instructions issued since that date, and instructions relating to depreciation allowances, reserves, etc.; the revised instructions also indicating the form in which profit and loss statements should be submitted to the Board and the procedure to be followed in connection with certain other end-of-the-year reports. The letter inclosed one copy of the instructions referred to, and stated that another copy is being forwarded to the Federal reserve agent and additional copies may be had upon request.

Approved.

Memorandum dated October 4, 1932, from Mr. Chase, Assistant Counsel, with regard to the application filed by Mr. Sidney S. McCumber

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for permission to serve at the same time as a director and officer of the Northern New York Trust Company of Watertown, New York, as director of the Watertown National Bank, and as director of the Farmers National Bank of Adams, New York.

A general discussion ensued, at the conclusion of which it was voted to approve the application, but to advise Mr. McCumber that the Federal Reserve Board is now considering certain general questions affecting a number of applications and permits issued under the Clayton Act and that the Board may make the permit issued to Mr. McCumber the subject of further consideration when it has reached its decision upon these general questions.

Thereupon the meeting adjourned.

Peter Morrell
Secretary.

Approved:

Rayland T. Magee
Chairman, Executive Committee.