

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Saturday, November 12, 1932, at 12:05 p. m.

PRESENT: Governor Meyer
Mr. James
Mr. Magee

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Wyatt, General Counsel.

The Committee considered and acted upon the following matters:

Letters dated November 3 and 10, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated November 3, 1932, from the Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, November 4, 1932, from the Secretary of the Federal Reserve Bank of Cleveland, November 7, 1932, from the Chairman of the Federal Reserve Bank of Dallas, and November 10, 1932, from the Chairman of the Federal Reserve Bank of Richmond and the Secretary of the Federal Reserve Bank of Atlanta, 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 to a telegram dated November 11, 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, as amended, to the Jefferson Trust Company, Hoboken, New Jersey, in the amount of \$85,000, for a period of 90 days, with interest at the rate of 5 1/2% per annum, and on the security of customers' collateral notes and building and loan notes with a margin of at least 25%; Deputy Governor Rounds stating that last week there was an absorption of one of the large Hoboken banks by another bank in that city which has resulted in a steady seepage of deposits from the Jefferson Trust Company. The reply stated

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that the Board authorizes the advance subject to the terms and conditions recommended, it being understood that the advance is in addition to that made under the authority granted in the Board's telegram of June 6, and renewed in a reduced amount as authorized in the Board's telegram of September 6, 1932.

Approved.

Telegraphic reply, approved by five members of the Board on November 8, to a telegram dated November 5, 1932, from the Governor of the Federal Reserve Bank of San Francisco, requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Old National Bank and Union Trust Company, Spokane, Washington, in the amount of \$350,000, with interest at the rate of 5 1/2% per annum, and to mature on November 9, 1932; Governor Calkins stating that this application was made to cover advances already made to the member bank under a misunderstanding of the authority granted in the Board's telegram of August 9, 1932, for an advance not exceeding \$2,000,000. The reply stated that the Board has amended the authority granted in its telegram of August 9, so as to authorize the San Francisco bank to advance to the national bank not exceeding \$2,350,000 for a period of three months, with interest at the rate of 5 1/2% per annum, and that the Board has ratified the action of the Federal reserve bank in making advances to the national bank maturing November 9, 1932, aggregating not more than that amount.

Approved.

Telegraphic reply, approved by five members of the Board on November 10, to a telegram dated November 9, 1932, from the Governor of the Federal Reserve Bank of San Francisco, requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act

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to the Old National Bank and Union Trust Company, Spokane, Washington, of \$2,000,000, with interest at the rate of 5 1/2% per annum, and to mature on February 9, 1933; Governor Calkins stating that the bank has advised that due to the strained condition throughout the entire territory caused by unusually low wheat, livestock, lumber, and other commodity prices, it has been unable to obtain expected seasonal liquidation of loans and that further declines in deposits are expected in the next few months; also, that it is understood that the first advance made under this new commitment will be used to retire the present 10(b) advances to the bank made under the authority granted in the Board's telegram of August 9, as amended by its telegram of November 8, 1932. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended and to the understanding that the bank has no further eligible and acceptable assets to enable it to obtain adequate credit accommodations from the Federal reserve bank under any other provisions of the Federal Reserve Act except section 10(a).

Approved.

Telegraphic reply, approved by three members of the Board on November 4, to a telegram dated November 3, 1932, from Assistant Deputy Governor Gidney of the Federal Reserve Bank of New York, requesting authority to purchase from the Alpha National Bank, Alpha, New Jersey, a tax note of the Borough of Alpha in the amount of \$6,000; the reply stating that the Board authorizes the purchase with the understanding that the note meets all requirements of Regulation E except as to the population of the issuing municipality and that the amount of the note offered, together with a note in the amount of \$6,000 already held by the New York bank, exceeds 25% of the total outstanding warrants of the municipality.

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Approved.

Telegram to Deputy Governor Rounds of the Federal Reserve Bank of New York, replying to a letter dated November 10, 1932, from the Manager of the Credit Department of the bank, requesting authority to purchase from the Lyons National Bank, Lyons, New York, certificates of indebtedness of the County of Wayne, New York, in the amount of \$30,000. The reply stated that the Board authorizes the purchase with the understanding that the certificates meet all requirements of the Board's Regulation E except that the amount offered exceeds 25% of the total outstanding warrants of the municipality.

Approved.

Telegraphic reply, approved by three members of the Board on November 7, to a telegram dated November 4, 1932, from the Governor of the Federal Reserve Bank of Boston stating that the executive committee of the bank had authorized an advance under the provisions of the third paragraph of Section 13 of the Federal Reserve Act, as amended, to the H. T. Cushman Manufacturing Company, North Bennington, Vermont, in the amount of \$25,000, \$15,000 of which is to be used to repay a personal advance made to the company to meet current operating expenses during the pendency of the company's application to the Federal reserve bank, by the President of the First National Bank of North Bennington, which institution had previously loaned the company up to the limit authorized by section 5200 of the Revised Statutes; Governor Young requesting approval of the proposed advance by the Federal reserve bank, in accordance with section 5 of the Board's letter of July 26, 1932. The reply stated that, with the understanding that the note of the H. T. Cushman Manufacturing Company meets the requirements of eligibility laid down by the

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law and the Board's regulations and is acceptable to the Federal reserve bank from a credit standpoint, the Federal Reserve Board will interpose no objection to its discount by the Federal Reserve Bank of Boston because of the fact that a portion of the proceeds will be used for the purpose of paying off the existing indebtedness referred to.

Approved.

Telegraphic reply to a telegram dated November 4, 1932, from the Governor of the Federal Reserve Bank of Boston stating that the board of directors had authorized the discount, under the provisions of the third paragraph of section 13 of the Federal Reserve Act, of the notes of the Sessions Clock Company, Forestville, Connecticut, up to a maximum of \$85,000 on the security of a mortgage upon the maker's property, the execution of which will probably make it necessary for the company to retire during the life of the advance by the Federal reserve bank, approximately \$35,000 of commercial paper now outstanding; that while the company believes that the paper can be retired out of current receipts, the proceeds of the advances by the Federal reserve bank might be considered as being used indirectly to pay off existing indebtedness to other banking institutions; and that, therefore, approval of the advance by the Board is requested in accordance with section 5 of the Board's circular letter of July 26, 1932. The proposed reply stated that, with the understanding that the notes of the Sessions Clock Company meet the requirements of eligibility laid down by the law and the Board's regulations, and are acceptable to the Federal reserve bank from a credit standpoint, the Federal Reserve Board will interpose no objection to their discount by the Boston bank because of the fact that a portion of the proceeds may be used for the purpose of paying off the existing indebted-

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ness referred to.

The Secretary reported that Mr. Miller had requested him to inform the other members of the Board, in case the matter came up during Mr. Miller's absence, that he felt that the Board should consider the question of the advisability of approving the use of a portion of the proceeds for the purpose of paying off the indebtedness represented by the outstanding notes of the clock company, for the reason that, although the information received by him over the telephone from Governor Young which was embodied in a letter subsequently received from Governor Young, indicated that the advance in this particular case could properly be approved, there was a possibility that it would become a precedent which would result in attempts in other cases to relieve commercial banks of loans by transferring the indebtedness to the Federal reserve bank. Mr. Morrill also reported that Mr. Hamlin had requested him to inform the other members of the Board that he would approve the advance.

After discussion the proposed reply was approved.

Letter to the Center Moriches Bank, Center Moriches, New York, approved by four members of the Board on November 4, 1932, stating that the Board has approved the bank's application for membership in the Federal Reserve System and for 75 shares of the capital stock of the Federal Reserve Bank of New York subject to certain conditions set forth in the letter.

Approved.

Letter to the Lock Haven Trust Company, Lock Haven, Pennsylvania, approved by four members of the Board on November 7, 1932, stating that the Federal Reserve Board has approved the bank's application for membership in the Federal Reserve System and for 540 shares of the capital stock of the

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Federal Reserve Bank of Philadelphia subject to certain conditions set forth in the letter.

Approved.

Letter to the Farmers and Merchants Bank, Huron, South Dakota, approved by three members of the Board on November 9, 1932, stating that the Federal Reserve Board has approved the bank's application for membership in the Federal Reserve System and for 67 shares of the capital stock of the Federal Reserve Bank of Minneapolis, subject to certain conditions set forth in the letter.

Approved.

Telegram to the Federal Reserve Agent at Chicago, approved by three members of the Board on November 10, 1932, requesting that he advise the Illinois Bank and Trust Company, Rockford, Illinois, that if that institution is converted into a national banking association with a paid-in capital of at least \$200,000 within sixty days from November 10 the Federal Reserve Board will issue to such national bank a permit effective on the date it is authorized by the Comptroller of the Currency to commence business as the Illinois National Bank and Trust Company, granting it the right to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

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Reply, approved by three members of the Board on November 10, to a letter dated November 3, 1932, from the Federal Reserve Agent at Philadelphia reporting that the Mechanics National Bank and Trust Company of Millville, New Jersey, has been continuously deficient in its required reserves for six months. The reply stated that in view of the information submitted, and 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 his 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 bank has restored and is maintaining its required reserves.

Approved.

Letter to the Federal Reserve Agent at Chicago, replying to Assistant Federal Reserve Agent Young's letter of October 27, 1932, relative to the continuous deficient reserves of the First National Bank, Little Rock, Iowa, which were originally reported to the Board on October 13, 1932. The Board's letter stated that, in view of the statement that the bank's reserve record is due to conditions which make it impossible to maintain the required reserves, 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, it being noted that the Board will be advised, 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 November 7, to a letter dated October 20, 1932, from the Federal Reserve Agent at St. Louis,

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with further reference to the deficient reserve record of the Park Savings Trust Company, Richmond Heights, Missouri, which has continued from August 16, 1931, to September 30, 1932. The reply suggested that the agent consult with the Commissioner of Finance of Missouri in an effort to obtain his cooperation in impressing upon the management of the trust company the necessity of compliance with reserve requirements and that pending receipt of further advice from the agent, and in accordance with his recommendation, the Board will defer action in the matter.

Approved.

Letter to the Federal Reserve Agent at Minneapolis, approved by three members of the Board on November 4, replying to Assistant Federal Reserve Agent Bailey's letter of October 15, 1932, reporting that the First National Bank of Stone Lake, Wisconsin, has been continuously deficient in its required reserves for six months, and advising of the latest developments relative to the unsatisfactory reserve records of certain other banks previously reported to the Board. The reply requested certain additional information, and the agent's recommendation as to the action which should be taken by the Board with regard to the deficient reserves of the First National Bank of Stone Lake, and stated that, in accordance with the agent's recommendation, the Board will take no action with regard to the unsatisfactory reserve records of the Citizens and Security National Bank, St. James, Minnesota, the Drovers State Bank, South St. Paul, Minnesota, and the First National Bank, Conrad, Montana; and that it is assumed the agent will continue to keep the Board advised with regard to these institutions and with regard to the reserve records of the First National Bank, Swanville, Minnesota, and the First National Bank, Foley, Minnesota.

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Telegraphic reply, approved by three members of the Board on November 4, to a telegram dated October 31, 1932, from the Federal Reserve Agent at San Francisco inquiring whether the Board desires that he report as suspended banks the institutions in the Twelfth Federal Reserve District which have recently suspended under a local moratorium. The reply requested that the agent submit a list of the banks referred to with a brief statement of the nature of the moratorium in each case, and stated that in the meantime the banks should not be reported as suspended.

Approved.

Reply, approved by four members of the Board on November 11, to a letter dated November 2, 1932, from the Federal Reserve Agent at Kansas City with regard to the effective date of the discontinuance of the progressive penalty for deficiencies in reserves of member banks in the Tenth Federal Reserve District. The reply stated that in view of the interpretation which the bank placed on the action taken by the Board in discontinuing the reserve penalty in the Tenth Federal Reserve District as of October 1, 1932, as applying to reserve deficiencies dating back to September 1, 1932, the Federal Reserve Board has amended its previous action so as to discontinue the progressive penalty in the Tenth Federal Reserve District for deficiencies in reserves of member banks occurring on or after September 1, 1932.

Approved.

Letter to the Federal Reserve Agent at Cleveland, approved by three members of the Board on November 7, 1932, with regard to the analysis of the report of examination as of May 7, 1932, of the Peoples-Pittsburgh Trust Company, Pittsburgh, Pennsylvania. The letter requested advice as to whether

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the institution has eliminated from its accounts the 3,380 shares of its own stock reported in the analysis as being held as part collateral to loans, or whether other collateral has been substituted for such stock, and suggested that in view of the information contained in the analysis, the agent consider the advisability of discussing with the State banking authorities the question of approaching the management of the trust company for the purpose of developing its attitude toward a further reduction in its quarterly dividend rate. The letter also referred to previous correspondence with regard to the bank stock holdings of the Peoples Pittsburgh Trust Company; stated that in the opinion of the Board the holding by a wholly owned subsidiary of the stock of the First National Bank of Wilkinsburg, as indicated by the analysis, is not a compliance with the spirit of the May, 1931, agreement with the Board that the stock would be eliminated from the assets of the trust company; and requested the agent's comments on this matter as well as advice as to the value at which the trust company carries its stock investment in the First National Bank of Pittsburgh, and its investments in the stocks of affiliated or subsidiary companies.

Approved.

Letter to the Federal Reserve Agent at Richmond stating that in view of the condition of the Baltimore Commercial Bank, Baltimore, Maryland, as disclosed by the analysis of the report of examination of that institution as of September 26, 1932, it is difficult to see how the member bank would be justified in continuing the payment of dividends, and suggesting that the agent discuss the matter with the Bank Commissioner of the State of Maryland, advising the Board what action is taken by him in connection therewith. The letter also stated that the Board would be glad to know whether any other

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corrective action has been taken or is contemplated by the bank commissioner.

Approved.

Letter to the Federal Reserve Agent at San Francisco, approved by three members of the Board on November 4, 1932, referring to the report of the credit investigation of the Albany State Bank, Albany, Oregon, as of June 8, 1932, and stating that it appears that the transaction by which the member bank as of January 30, 1932, purchased certain assets and assumed the deposit liabilities of the First Savings Bank of Albany has resulted in no material change in the character of the assets of, or in the scope of the functions exercised by, the member bank within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System, and that in view of this evidence, and advice that the transaction was effected to meet an emergency which existed in the local banking situation, the Board, in accordance with the agent's recommendation, will interpose no objection to the transaction. The letter also referred to the substantial increase in the amount of criticized items which has occurred in the assets purchased from the First Savings Bank and requested that the agent keep in close touch with the situation, arranging to participate in the next examination with a view to renewing at that time the suggestion of an increase in the capital accounts of the institution to provide protection for the additional deposits assumed from the First Savings Bank, and keeping the Board advised of any developments in the situation during the interim.

Approved.

Letter to Mr. Rawleigh Warner, Chicago, Illinois, approved by four members of the Board on November 4, 1932, inclosing a permit issued by the Board under the authority of section 8 of the Clayton Anti-Trust Act covering his service as a director of the City National Bank and Trust Company,

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Chicago, Illinois, as a director of the Drovers National Bank, Chicago, Illinois, and as a director of the City National Bank and Trust Company, Evanston, Illinois.

Approved.

Letter to the Acting Comptroller of the Currency, approved by four members of the Board on November 4, inclosing a copy of a letter received under date of October 24, 1932, from Senator Millard E. Tydings calling attention to a criticism of the First National Bank of Aberdeen, Maryland, for not having in its files a copy of the permit issued by the Board authorizing Senator Tydings to serve as a director of the Baltimore Trust Company and as a director of the First National Bank. The letter to the Acting Comptroller of the Currency stated that the Board has felt that it is not necessary to furnish individual banks with certified copies of Clayton Act permits; that copies of the Board's letters transmitting such certificates are sent to the banks involved and would seem to furnish sufficient evidence that the necessary permit has been granted, and that the matter is being brought to the Acting Comptroller's attention because of the fact that, in view of the Board's policy, the criticism referred to does not seem to be justified.

Approved.

Telegraphic reply, approved by three members of the Board on November 7, to a telegram dated November 3, 1932, from the Governor of the Federal Reserve Bank of Minneapolis requesting a ruling on the question whether the purchase by a Federal reserve bank of a tax anticipation note direct from the issuing municipality would be a purchase under the terms of section 14 of the Federal Reserve Act, or whether it would constitute a direct loan to the

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municipality. The reply stated that Federal reserve banks may legally purchase direct from the issuing municipality warrants which comply with the relevant provisions of section 14 of the Federal Reserve Act and the Board's Regulation E, but that the question whether they should do so is one of policy, and if the Federal Reserve Bank of Minneapolis contemplates such a purchase, it is requested that before doing so the Board be furnished with all facts in the matter, together with the views of the bank as to the necessity or desirability of the proposed action.

Approved.

Memorandum dated November 9, 1932, from Assistant Secretary Noell stating that the Treasury Department desires to transfer Rachel Williams, charwoman, from the Board's rolls to the Chief Clerk's roll of the Treasury Department and to substitute Eleanor Allison as charwoman on the Board's rolls at the same compensation; the Assistant Secretary recommending approval.

Approved.

Letter, approved by three members of the Board on November 11, to the Acting Comptroller of the Currency advising that in accordance with the recommendation contained in his letter of November 8, 1932, the Board has approved a salary at the rate of \$3,600 per annum for National Bank Examiner Louis C. W. Hecht, assigned to the Eighth Federal Reserve District.

Approved.

Reply, approved by three members of the Board on November 9, to a letter dated November 4, 1932, from the Governor of the Federal Reserve Bank of St. Louis, reporting the employment in August, 1932, on a temporary basis and with salary at the rate of \$4,500 per annum, of Mr. J. K. Vardeman, Jr., as Manager of the Direct Loan Department of the bank, and the discontinuance

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of his employment as of October 31, 1932; Governor Martin stating that through an oversight Mr. Vardeman's employment was not reported previously to the Board. The reply stated that the Board has approved the payment of salary to Mr. Vardeman at the rate of \$4,500 per annum during the period of his temporary employment, and requested that the Board be advised as to the exact date on which the employment became effective.

Approved.

Report of the Committee on Salaries and Expenditures on a letter dated October 31, 1932, from the Chairman of the Federal Reserve Bank of Dallas requesting approval of a salary at the rate of \$1,800 per annum for Mr. L. C. Edwards who has been appointed to the appraised position of special representative in the Insolvent Banks Department of the bank; the Board's Committee recommending approval.

Approved.

Memorandum dated October 10, 1932, from the Fiscal Agent, recommending that the Board authorize the payment of \$699.17 to the Federal Reserve Bank of Cleveland to cover the expenses of, and allowances to, the six examiners who were detailed by the Cleveland bank to assist the Board's examiners in the examination of the Federal Reserve Bank of Chicago as of September 17, 1932; the recommendation having been approved by three members of the Board on November 9.

Approved.

Memorandum dated October 31, 1932, from the Board's General Counsel submitting a letter received by him under date of September 27, 1932, from Mr. Newton D. Baker, suggesting a fee of \$15,000 for the services rendered by him from November, 1930, through September, 1932, in the litigation grow-

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ing out of the failure of the First National Bank of New Bern, North Carolina and in other matters. The memorandum outlined in detail the services rendered by Mr. Baker and requested informal authority to advise Mr. Baker that the suggested fee is regarded as reasonable.

After a brief discussion, the authority requested by Counsel was granted.

Memorandum dated October 31, 1932, from Mr. Vest, Assistant Counsel, recommending that there be published in the next issue of the Federal Reserve Bulletin, in the form attached to the memorandum, the Board's recent ruling with regard to the classification by a member bank as demand deposits of certificates of deposit payable to other banks within thirty days; the recommendation having been approved by three members of the Board on November 4, 1932.

Approved.

Letter to Mr. Henry Hafner, Office Manager of the Danahy Packing Company, Buffalo, New York, replying to his letter of October 26, 1932, addressed to the Secretary of the Treasury, with regard to a charge imposed in connection with the collection of a United States postal money order. The reply stated that this matter was taken up with the Federal Reserve Bank of New York which has advised that the charge represented messenger service in collecting the item and was imposed by the State Trust Company of North Tonawanda, New York, which collected and remitted for the order. The reply also stated that, in the circumstances of the case as outlined, the law does not prevent a bank from making a collection charge on an item of this kind and there was no action which the Federal reserve bank could take in connection therewith. There was also submitted a proposed letter to the Postmaster General, transmitting copies of Mr. Hafner's communication and

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the letter addressed to the Board by Deputy Governor Sailer of the Federal Reserve Bank of New York.

Approved.

Letter to the Chairmen and Governors of all Federal reserve banks, approved by three members of the Board on November 7, 1932, stating that as the so-called Glass Bill may be taken up again at the forthcoming session of Congress, the Federal Reserve Board will be glad to receive any suggestions regarding its provisions which the Chairmen and Governors may desire to submit for the Board's consideration, together with their reasons for such suggestions.

Approved.

Letter to the Governors and Federal Reserve Agents of all Federal reserve banks, approved by three members of the Board on November 5, 1932, stating that the Board's staff and the committee appointed by the Chairman of the Governors' Conference for the purpose of studying American acceptance practice and its development have outlined a tentative course of procedure for initiating this study, and that as a part of this tentative procedure it has been suggested that the Governor of each Federal reserve bank transmit to the proper officer of each of certain member banks in his district which have been engaged in the acceptance business a letter in one of the forms inclosed with the Board's letter, together with forms of questionnaires, samples of which were also inclosed, to be filled out by such banks. The letter stated that it has been suggested also that, in addition to the information gained through the replies to the proposed letters and through responses to the questionnaires, the Governors of the various Federal reserve banks might obtain helpful expressions of views through personal conferences with bankers whose experience in the acceptance field in their respective

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districts has given them a special knowledge of the subject. The letter further stated that the Board has not designated any members of the committee but expects that members of the Board's staff and the committee will jointly carry on the proposed study, with the Board's Secretary as the medium of communication between its staff and the committee; also, that the inclosures referred to above were being transmitted at this time so that the agents and governors might have an opportunity to give some thought to the subject and be prepared to discuss it as one of the topics at the meeting on November 14, 1932, before steps are taken to carry out the plan.

Approved.

Letter to the Governors of all Federal reserve banks except Kansas City inclosing a copy of a letter addressed to the Kansas City bank by a Post Office Inspector, calling attention to a ruling of the Second Assistant Postmaster General that there would be no objection to checks being forwarded by express if not accompanied by a letter. The Board's letter stated that apparently cash letters or similar form letters of transmittal covering such shipments are regarded by the Post Office Department as "letters" within the meaning of the "private express statutes", but that the ruling indicates that there will be no objection to inclosing with the checks a list prepared on an adding machine provided such list is not written on a form containing instructions or other communications, although whether or not it would be permissible to date the adding machine list does not appear from the ruling.

Approved.

Letter dated November 3, 1932, from the Chairman of the board of directors of the Federal Reserve Bank of New York, stating that following action by the New York Clearing House recommending to its members that they

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participate in the share-the-work movement the board of directors of the bank adopted a resolution establishing, subject to the approval of the Federal Reserve Board with respect to the provision affecting salaries, a share-the-work plan providing for a reduction equivalent to one-half day per week in the working time of each employee at the head office during the six months period beginning November 16, 1932; for the employment on a temporary basis of such new employees (estimated at approximately 125) as the officers of the bank may deem necessary or advisable in order to put into effect and to carry on the work of the bank without loss of efficiency in operation, and for a reduction during that period of 4% in the salaries of all of the present officers and employees at the head office. The resolution adopted by the directors also provided for the submission of the plan to the directors of the Buffalo branch of the Federal Reserve Bank of New York with the suggestion that they consider the desirability of participation by the branch in the share-the-work movement.

The Secretary reported that Mr. Miller had requested him to inform the other members of the Board, in case the matter came up during Mr. Miller's absence, that he would vote in favor of approval of the salary adjustments involved in the New York bank. The Secretary also reported that he had been requested by Mr. Hamlin to state that while he was in favor of the share-the-work plan in principle, he would vote against the salary reductions involved in the plan. The Secretary said that Mr. Hamlin felt that if the plan were adopted as submitted by New York the expense of the employment of the additional people should be borne by the bank out of its accumulated surplus, and not imposed upon the existing employees. Assistant Secretary McClelland reported that, in a later telephone conversation with him, Mr. Hamlin had

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stated that the Federal reserve bank should absorb at least one-half of the cost of the salaries of the additional employees.

After discussion, it was decided to interpose no objection to the plan as submitted by the Federal Reserve Bank of New York, and to approve the salary payments involved in the temporary employment of additional employees.

Letter dated November 3, 1932, from the Chairman of the Federal Reserve Bank of Philadelphia submitting for the Board's consideration a share-the-work plan approved in principle by the board of directors of the bank with discretion in the officers to put it into effect if and when they deem it advisable. The plan provided for a reduction of one-half day per month in the working time of each employee of the bank which would make possible the employment of 25 additional people, the added expense to be met by deductions of \$1 per month from salaries of \$1,000 per annum or less, \$2 per month from salaries between \$1,000 and \$2,000 per annum, \$6 per month from salaries between \$2,000 and \$5,000 per annum, \$15 per month from salaries between \$5,000 and \$12,000 per annum, and \$50 a month from salaries over \$12,000 per annum. The Secretary referred to the apparently inequitable operation of the plan in that it provides for disproportionate deductions from the salaries of individual employees in the various grades and stated that Mr. Miller had advised that, in his opinion, careful consideration should be given to this feature of the plan before it is approved by the Board. Mr. Morrill also stated that Mr. Hamlin's objections to the New York plan applied also to the Philadelphia plan.

After discussion, the Secretary was requested to discuss with the Chairman of the Federal Reserve Bank of Philadelphia while he is in Washington next week the matter of the apparent inequities in salary deductions under the proposed plan.

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Letter dated November 5, 1932, from the Chairman of the Federal Reserve Bank of Cleveland replying to the Board's letter of October 26, 1932, with regard to the employment of extra people by the bank in connection with the activities of the Banking and Industrial Committee of the Fourth Federal Reserve District; Mr. DeCamp's letter outlining in detail the considerations which led to these additional employments and, particularly, to the employment of Mr. Earle E. Martin for the Banking and Industrial Committee and Mr. Harry K. Hauck for the share-the-work movement, and stating that the failure to request approval of the salaries fixed for these two employees was an oversight on the part of the bank.

The Secretary reported that Mr. Miller had requested him to inform the other members of the Board, in case the matter came up during Mr. Miller's absence, that he was prepared to join with them in approving the payment of the salary involved in the employment of Mr. Martin in view of Mr. DeCamp's explanation of the services rendered by Mr. Martin, but that as to the employment of Mr. Hauck in connection with the share-the-work movement, while he would offer no objection to the payment of Mr. Hauck's salary up to date, he felt that the share-the-work movement was an activity outside of the scope of the purposes for which the Banking and Industrial Committees were originally appointed by the Governors of the Federal reserve banks; that the Federal Reserve Bank of Cleveland had only the same general interest in the advancement of the share-the-work movement that other banking corporations might have; and that in his opinion the employment of Mr. Hauck was not reasonably within the authorized functions of Federal reserve banks for which expenditures could properly be made. Mr. Morrill also reported that Mr. Hamlin had stated that he would join the other members of the Board in

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approving the salary payments already made by the bank to Messrs. Martin and Hauck and that he would accept the judgment of the other members as to the action which should be taken by the Board as to future payment of salaries to these employees.

After discussion, the Secretary was requested to advise the Chairman of the Cleveland bank that the Board approves the salary payments already made to Messrs. Martin and Hauck but that it still has under consideration the matter of future payments of salary to these employees, and that its decision will be communicated in due course.

The Secretary was also requested to take this matter up with Mr. DeCamp when he is in Washington next week and to bring forcefully to his attention the necessity of securing advance approval by the Board of any proposed expenditures by the bank where such approval is required by law or where the Board has requested that such approval be obtained before the expenditure is made.

Letters addressed to Mr. Hamlin by the Chairman of the Federal Reserve Bank of Richmond on October 20 and November 10, 1932, with regard to the consideration being given by the board of directors of the bank to readjustments in the salaries of employees; the later letter stating that it now appears that the special committee appointed to consider the matter is opposed to a horizontal reduction of salaries and that the committee report which is to be submitted at the December meeting of the board of directors will go no further than to recommend some economies in special cases.

Noted.

Reports of Standing Committee dated November 9, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 1.</u>		
Leominster National Bank, Leominster, Mass.	270	270
(Insolvent)		

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Applications for SURRENDER of Stock: (Cont'd)	Shares	
<u>District No. 2.</u>		
Monroe National Bank, Monroe, N. Y. (Insolvent)	48	
First National Bank, Plainfield, N. J. (Cons. of the Fourth National Bank and First National Bank of Plainfield, N. J.)	<u>516</u>	564
<u>District No. 3.</u>		
First Blair County National Bank, Tyrone, Pa. (Cons. of the First National Bank and Blair County National Bank & Trust Company)	180	180
<u>District No. 7.</u>		
Old-Merchants National Bank & Trust Co., Battle Creek, Mich. (Decrease in surplus)	300	
First National Bank, Lewisville, Ind. (Insolvent)	<u>51</u>	351
<u>District No. 8.</u>		
First National Bank, Chaffee, Missouri. (Insolvent)	41	41
<u>District No. 9.</u>		
First National Bank, Frazee, Minn. (Insolvent)	24	
Citizens National Bank, Wessington, S. Dak. (Insolvent)	<u>24</u>	48
<u>District No. 12.</u>		
First National Bank, Scappoose, Oregon. (Insolvent)	19	19
	<u>Total</u>	<u>1,473</u>

Approved.

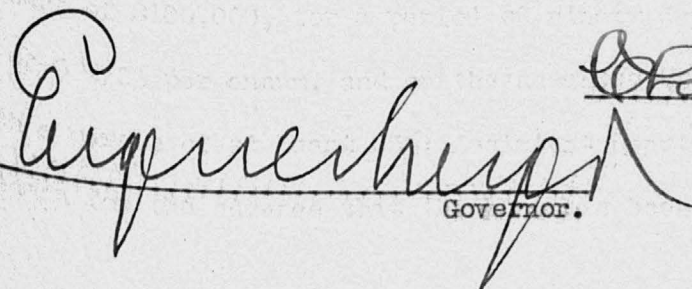
Report of Standing Committee dated November 12, 1932, recommending approval of the following Clayton Act application:

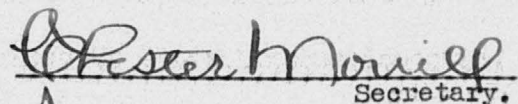
Mr. A. de Bretteville, for permission to serve at the same time as director of the Bank of America National Trust and Savings Association of San Francisco, California, and as director of the Bank of America of San Francisco, California.

Approved.

Thereupon the meeting adjourned.

Approved:


Governor.


Secretary.