

A meeting of the Federal Reserve Board was held in Washington on Wednesday, November 16, 1932, at 12:05 p. m.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

The minutes of the meetings of the Federal Reserve Board held on September 15, 19, 21, and October 5 and 6, 1932, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on October 6, 11, 13, 25, 26 and 27, 1932, were approved and the actions recorded therein were ratified unanimously.

The Board then considered and acted on the following matters:

Telegram dated November 16, 1932, from the Assistant Federal Reserve Agent at Philadelphia stating that the board of directors, at its meeting today, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegraphic reply, approved by five members of the Board on November 15, 1932, to a telegram of that date from Assistant Deputy Governor Gidney 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 First National Bank, Lindenhurst, 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 miscellaneous domestic bonds with a margin of at least 25%; Assistant Deputy Governor Gidney stating as the reason for the advance that the bank has been advised of the intended

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withdrawal within the next few days of a special interest account amounting to \$100,000. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply, approved by three members of the Board on November 14, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority to purchase from the Perth Amboy Trust Company, Perth Amboy, New Jersey, \$125,000 of tax notes of the City of Perth Amboy. The reply stated that the Board authorizes the purchase with the understanding that the notes meet all requirements of Regulation E except that the amount offered, together with the \$300,000 of tax notes already held by the New York bank, exceeds 25% of the total outstanding warrants of the municipality.

Approved.

Telegraphic reply, approved by five members of the Board on November 15, 1932, to a telegram of that date from Deputy Governor Gilbert of the Federal Reserve Bank of Dallas, stating that the Federal Intermediate Credit Bank of Houston has requested the discount of approximately \$250,000 of eligible paper, and requesting the Board's approval because of the fact that the Federal reserve bank's reserves on November 14, 1932, amounted to slightly less than 50% of its aggregate liabilities for deposits and Federal reserve notes in circulation. The reply stated that the Federal Reserve Board authorizes the Dallas bank to discount for the Federal Intermediate Credit Bank, eligible paper in the amount stated.

Approved.

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Memorandum dated November 9, 1932, from Assistant Secretary Noell recommending that the Federal Reserve Bulletin be furnished free of charge during the year 1933 to all State bank examiners who desire to receive it; the recommendation having been approved by five members of the Board on November 15, 1932.

Approved.

Reply, approved by five members of the Board on November 15, to a letter dated October 29, 1932, from the Federal Reserve Agent at Philadelphia reporting that the Exchange National Bank of Marietta, Pennsylvania, had been continuously deficient in its required reserves for the past six months. The reply stated that, in accordance with the agent's recommendation, the Board will take no action in this matter at the present 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. 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 dated November 15, 1932, from the Secretary of the Federal Reserve Agent's Conference transmitting an excerpt from the minutes of the conference stating that, on the basis of the second report of the committee appointed by the Board to consider and report on System participation in the Century of Progress exhibit at Chicago in 1933, and a statement made during the meeting of the Conference yesterday by the Federal Reserve Agent at Chicago with regard to the proposed exhibit, the conference had decided, subject to the approval of the Federal Reserve Board, that an appropriation not to exceed \$75,000 be made by all Federal reserve banks on the usual pro

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rata basis to cover the cost of the proposed exhibit. The ensuing discussion developed the opinion of the members present that a visual exhibit such as proposed by the committee would not be sufficiently effective in acquainting the general public with the fundamental purposes and the operations of the Federal Reserve System, to justify the contemplated expenditure, and therefore that it should not be approved.

Action on the matter was deferred pending its further discussion at the joint conference with the Governors and Federal reserve agents tomorrow.

At this point the Chairman joined the meeting.

Memoranda dated October 4, 1932, from Mr. Wingfield, Assistant Counsel, and September 26, 1932, from the Chief of the Division of Bank Operations, submitted in accordance with the action taken at the meeting of the Board on September 7, 1932, with regard to the issuance of mortgage bonds and first mortgage participation certificates by the Mississippi Valley Company, a wholly owned subsidiary of the Mississippi Valley Trust Company of St. Louis. Mr. Wingfield's memorandum reviewed the legal aspects of the matter and stated that in his opinion the transaction of such business by a member bank through a subsidiary, when such business was not being conducted at the time the bank was admitted to membership, may properly be considered a violation of the condition of membership that except with the approval of the Federal Reserve Board there shall be no change in the general character of the assets or broadening in the functions exercised by the bank at the time of admission to membership such as will tend to affect materially the standard then being maintained and required as a condition of membership. Mr. Wingfield also discussed methods of restricting this type of activity by banks hereafter admitted to membership. Mr. Smead's memorandum reviewed, on

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the basis of the Board's records, the extent to which mortgage bonds and participation certificates are being issued by commercial banks either directly or through subsidiary or affiliated corporations, and suggested that if the Board desires to obtain reasonably complete data with respect to the extent to which this type of business is being conducted by member bank affiliates, all member banks be requested to accompany their next quarterly condition reports with lists of their affiliates, together with statements of the amount and general type of business conducted by each with special reference to the extent to which they issue or sell mortgage bonds and participation certificates; also that they be asked to furnish sample forms of the bonds or participation certificates issued or sold.

After discussion, Mr. Smead's recommendation was approved with the understanding that the member banks would be requested also to furnish separate information as to the business of this character done directly by them.

Reference was then made to an informal proposal of the Acting Comptroller of the Currency to increase from \$5.00 to \$10.00, the charge made against Federal reserve banks for copies of reports of examination of national banks furnished to them, which it appeared was also being considered by the conferences of Governors and Federal reserve agents.

After discussion, it was expressed as the feeling of the members present, with the exception of Mr. Miller, that a temporary increase in the charge might be approved by the Board, for the period ending June 30, 1933, at which time the matter could again be reviewed. Action was deferred, however, pending receipt of any recommendations which may be submitted by the governors and agents conferences.

Reference was then made to the action of the Executive Committee of the Board on November 12, 1932, in deferring for further consideration the question of future payments of salary by the Federal Reserve Bank of Cleveland

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to Mr. Earle E. Martin for services to the Banking and Industrial Committee of the Fourth Federal Reserve District and to Mr. Harry K. Hauck for services in connection with the share-the-work movement.

After discussion the salary fixed by the board of directors of the Cleveland bank for Mr. Martin was approved.

Action on the salary fixed for Mr. Hauck, however, was deferred pending further consideration.

The Secretary then stated that in accordance with the action taken at the meeting of the executive committee on November 12, 1932, he had discussed with the Chairman of the Federal Reserve Bank of Philadelphia the share-the-work plan submitted for the consideration of the Board with his letter of November 3, 1932, and that the Chairman had stated that the feature of the plan relating to salary reductions had been submitted through error and that no action should be taken by the Board pending the submission by the Federal reserve bank of a revised plan.

The Governor then stated that the Chairman of the Open Market Policy Conference had advised him orally that a meeting of the conference was held yesterday, and that it was determined by a unanimous vote to be the consensus of the conference that no change should be made at this time in the amount of the System holdings of Government securities and that there should be another meeting of the Open Market Policy Conference during the first week in January to consider the System's policy in the light of conditions as they exist at that time.

Report of Standing Committee dated November 15, 1932, recommending approval of the following change in stock at a Federal reserve bank:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>
District No. 5.	
Central National Bank of Buckhannon, West Virginia.	45

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Approved.

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

Mr. John C. Borden, for permission to serve at the same time as a director and officer of the Central Farmers Trust Company, West Palm Beach, Florida, and as director of the First National Bank in Palm Beach, Palm Beach, Florida.

Approved.

Thereupon the meeting adjourned.

Olester Morrell
Secretary.

Approved:

Cuyler Herbert
Governor.