

A meeting of the Federal Reserve Board was held in Washington on Monday, November 21, 1932, at 2:25 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  
Mr. Wyatt, General Counsel  
Mr. Paulger, Chief, Division of Examinations  
Mr. Siems, Federal Reserve Examiner  
Mr. Wingfield, Assistant Counsel  
Mr. Chamberlin, Assistant Federal Reserve Examiner.

The Board considered and acted upon the following matters:

Telegrams dated November 18, 1932, from the Chairman of the Federal Reserve Bank of Kansas City, and November 19, 1932, from the Secretary of the Federal Reserve Bank of Minneapolis, both 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 21, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for a renewal in the total reduced amount of \$113,593.56, for a period of ninety days from November 22, with interest at the 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%, of the two advances made by the Federal Reserve Bank of New York under the authority granted in the Board's telegrams of May 26 and October 14, 1932, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the First National Bank in Mamaroneck, New York; Deputy Governor Rounds stating that

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the bank's condition has not improved and it is not in a position to liquidate the advances at this time. The reply stated that the Board authorizes the renewal of the advances subject to the terms and conditions recommended.

Approved.

Letter to the First National Bank, Eugene, Oregon, stating that in addition to the authority heretofore granted to the bank to act as trustee, executor, administrator, registrar of stocks and bonds, and guardian of estates, the Board has approved the bank's application for permission to act, when not in contravention of State or local law, as 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 Oregon, the exercise of such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Replies to letters dated November 10, 1932, from the Federal Reserve Agent at Philadelphia reporting that the Peoples National Bank, Delta, Pennsylvania, and the Millersville National Bank of Millersville, Pennsylvania, have been continuously deficient in their required reserves during the past six months. The replies stated that, in view of the information submitted and in accordance with the agent's recommendations, the Board will take no action with regard to these reserve deficiencies at this time other than to forward copies of the agent's letters and inclosures to the Acting Comptroller of the Currency for the information of his office. The replies also requested that the agent advise the Board, within a reasonable time, as to whether the banks have restored and are maintaining their required

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reserves.

Approved.

Letter to the Federal Reserve Agent at Chicago, replying to Assistant Federal Reserve Agent Young's letter of November 10, 1932, reporting that the First National Bank, Ashton, Iowa, has been continuously deficient in its required reserves for the past six months. The reply stated that the Board, in view of the information submitted and in accordance with the recommendation of the agent's office, will take no action in the matter at this time other than to forward to the Acting Comptroller of the Currency for the information of his office, certain correspondence regarding the bank's reserve record. 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 November 7, 1932, in which it was stated that, unless the Board otherwise desires, the agent will report in the future only the banks which have been continuously deficient in their required reserves for a period of six months. The reply stated that in view of the requirement of Section IV(d) of Regulation D, the agent need not report to the Board reserve deficiencies of shorter duration than six consecutive months, unless he feels there are circumstances in a particular case which should be brought to the Board's attention.

Approved.

Reply to a letter dated November 9, 1932, from the Federal Reserve Agent at Dallas reporting that the Marlin-Citizens National Bank, Marlin, Texas, was deficient in its required reserves for the six months period

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ending October 15, 1932. 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 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.

Reply to a letter dated November 12, 1932, from the Federal Reserve Agent at Dallas inclosing a notice filed under date of November 10, 1932, by the Iola State Bank, Iola, Texas, of its intention to withdraw from membership in the Federal Reserve System with the request that it be permitted to withdraw immediately. The reply stated that, as there appear to be no exceptional circumstances justifying the bank's request, the Federal Reserve Board does not in this case waive the six months notice required, but that at the expiration of six months from the date the notice of intention to withdraw was received by the agent, the Federal Reserve Bank of Dallas, upon surrender of the Federal reserve bank stock issued to the member bank, is authorized to cancel such stock and make appropriate refund thereon.

Approved.

Letter to the Acting Comptroller of the Currency, approved by three members of the Board on November 19, 1932, stating that it is understood that the First National Bank of Ripley, Tennessee, has been absorbed by a State institution and has not exercised banking functions for more than sixty days, but that a receiver has not been appointed and the bank has not

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been placed in liquidation in accordance with the provisions of the National Bank Act, and submitting for consideration and such action as the Acting Comptroller may deem advisable in view of all the circumstances involved, the recommendation of the Federal Reserve Agent at St. Louis that a receiver for the bank be appointed under the provisions of Section 6 of the Federal Reserve Act, in order that the Federal reserve bank stock issued to the bank may be canceled.

Approved.

Letters to the Federal Reserve Agent at Chicago, referring to the analyses of reports of examination of the Citizens State Bank, Sheboygan, Wisconsin, as of October 3, 1932, and of the Blanchard State Bank, Blanchard, Michigan, as of July 19, 1932, and requesting additional information as to certain matters reported in the analyses.

Approved.

Letters to the Federal Reserve Agent at St. Louis, referring to the analyses of reports of examination of the W. B. Worthen Company, Bankers, Little Rock, Arkansas, as of July 5, 1932, and of the Baden Bank, St. Louis, Missouri, as of July 15, 1932, and requesting additional information as to certain matters reported in the analyses.

Approved.

Reply to a letter dated October 26, 1932, from the Federal Reserve Agent at St. Louis, relative to the improvement effected in the condition of the Twin City Bank, North Little Rock, Arkansas, since the report of examination of that institution as of July 28, 1932. The reply stated that, in view of the information submitted and in accordance with the agent's recommendation, the Board will defer action affecting the status of the

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bank as a member institution until after March 15, 1933, the date of the agent's proposed conference with the president of the bank, following which it is assumed that the agent will advise the Board with regard to the bank's condition and his recommendation in the premises. The reply also requested the agent to arrange for participation in any examination by State authorities during the interim, with a view to determining what action should be taken by the bank toward the improvement of its condition, and to forward to the Board the information thus determined, together with his recommendation.

Approved.

Reference was then made to the discussion which had taken place at the meeting of the Board on November 18, 1932, regarding the pending application of the President and Directors of the Manhattan Company for admission to membership. Mr. Paulger reported that he had spent Friday, Saturday and Sunday, November 18, 19 and 20, in New York, for the purpose of conferring with the Federal reserve agent, the State Banking Department and the principal officers of the institutions involved in the application regarding the various questions which had arisen in its consideration. He stated that when the situation was brought to the attention of the State Banking Department it arranged immediately for an examination of the Bank of Manhattan Trust Company and the International Acceptance Bank, Incorporated, beginning on the afternoon of November 18, and that the examination would be pressed to a conclusion as rapidly as possible. He added that Mr. Dillistin had assigned a number of men to participate in the examination on behalf of the Federal reserve agent and that Mr. Siems of the Washington office of the Division of Examinations also participated. He reported further that it appeared to his satisfaction, on the basis of the information developed by

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the examiners on Friday, Saturday and Sunday, that the condition of the proposed new bank, upon opening for business, would be such as to justify its admission to membership in the Federal Reserve System; that it appeared that charge-offs had been or would be made and reserves had been or would be set up in amounts which would seem to be ample to protect the institution against losses which might develop in the existing assets of the International Acceptance Bank and the Bank of Manhattan Trust Company; and that all legal aspects of the matter had been cleared up to the satisfaction of the State Banking Department so far as the laws of that State were concerned. He read a letter, dated November 19, 1932, from the Deputy Superintendent and Counsel for the New York State Banking Department addressed to counsel for the Bank of Manhattan Trust Company, stating that the proposed reorganization, including the holdings of stock of the County Trust Company, White Plains, New York, and the Corning Trust Company and the North Side State Bank, both of Corning, New York, does not contravene any provision of law of the State of New York. He stated that he had discussed at length the possibilities of disposition of the stock of the three banks mentioned before the admission to membership of the new institution, but that the officers of the bank seemed firm in the conviction that it would not be practicable or wise to attempt such action at this time. They had argued that it would be impossible to find substantial buyers for large blocks of bank stocks at the present time on anything like a fair basis; that to sell these banks into weak hands or place them with doubtful sponsors would be violating a trust; that they felt a certain responsibility to the depositors of the banks and the communities in which they were located and could not in fairness to them do anything that would impair public confidence. The Superintendent of Banks in New

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York, with whom Mr. Paulger also discussed the matter, expressed the view that it would be unfortunate from the standpoint of the banking situation in the communities involved to require the immediate disposal of the stock of the three banks in question. Mr. Paulger also stated that the officers felt that they could not undertake to operate the new bank as a clearing non-member pending admission to membership without serious embarrassment. Mr. Paulger stated that he had been informed by the officers that if the stockholders meeting were to pass off smoothly without raising disquieting rumors regarding the proposed change in the bank's financial structure, it would be necessary to announce at the meeting that the Federal Reserve Board had approved the new bank's application for membership in the Federal Reserve System. Mr. Paulger indicated that memoranda outlining fully the information developed by Mr. Siems and himself in New York in connection with this application would be placed in the files of the Board.

A general discussion ensued, at the conclusion of which there was approved a letter to the President and Directors of the Manhattan Company, New York City, New York, advising of approval by the Board of the company's application for membership and for 30,000 shares of the capital stock of the Federal Reserve Bank of New York, effective if and when the merger of the Bank of Manhattan Trust Company of New York into the President and Directors of the Manhattan Company of New York is effected under the charter of the latter, and subject to certain conditions set forth in the letter; Mr. James voting "no".

In connection with his vote, Mr. James made the following statement: "The problem of the violation of the spirit of the law relating to branch banks involved in this case, has not, in my judgment, been overcome or met, nor is the matter of proposed merging made clear to me. I feel that the five special 'conditions' which have been read by the Assistant Secretary should be met and complied with before admitting the bank to membership. I therefore desire to be recorded as voting 'no' on the application for membership."

Reference was then made to the matter of the cancellation of the Federal reserve bank stock now held by the Bank of Manhattan Trust Company.



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The Secretary was authorized, upon receipt from the Bank of Manhattan Trust Company of an application, in proper form, for the surrender of such stock, to advise the Federal Reserve Agent at New York that the Board authorizes the cancellation of the stock and an appropriate refund thereon.

Letter to the Federal Reserve Agent at New York, replying to a letter dated November 3, 1932, from the Secretary of the Federal Reserve Bank of New York, transmitting, with the favorable recommendation of the board of directors of the bank, the application of the President and Directors of the Manhattan Company, New York City, New York, for permission to accept drafts and bills of exchange drawn upon it up to 100% of its paid-up capital and surplus. The reply requested the Federal reserve agent to advise the President and Directors of the Manhattan Company that, effective if and when the merger of the Bank of Manhattan Trust Company into the President and Directors of the Manhattan Company is effected and the applicant company becomes a member of the Federal Reserve System, the Federal Reserve Board approves its application for permission to accept drafts and bills of exchange drawn upon it up to 100% of its paid-up and unimpaired capital and surplus under the provisions of Section 13 of the Federal Reserve Act.

Approved.

Reply to a letter dated November 3, 1932, from the Federal Reserve Agent at New York transmitting, with the favorable recommendation of the discount committee and officers council, the application of the President and Directors of the Manhattan Company of New York, New York City, for permission to accept drafts or bills of exchange drawn for the purpose of creating dollar exchange. The reply requested the agent to advise the applicant company that, effective if and when the merger of the Bank of Manhattan Trust Company into the President and Directors of the Manhattan

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Company is effected and the applicant company becomes a member of the Federal Reserve System, the Federal Reserve Board grants permission to it to accept drafts for the purpose of creating dollar exchange, having not more than three months' sight to run, drawn on it by banks or bankers under the provisions of Section 13 of the Federal Reserve Act and the regulations of the Federal Reserve Board, in any of the countries previously approved by the Board. The reply also stated that the Board reserves the right, on ninety days' notice, to revoke the permission granted to the President and Directors of the Manhattan Company, or to modify such permission as to any country.

Approved.

The Governor then presented an excerpt from the proposed annual report of the Secretary of the Treasury for the fiscal year 1932, in which were quoted parts of the text of the preliminary summary report of the System committee on branch, group and chain banking, confidential copies of which were distributed at the meeting of the Board with the Governors and Federal reserve agents on Monday, November 14, 1932. Governor Meyer stated that Mr. Mills had inquired whether the Federal Reserve Board would have any objection to the Secretary's annual report referring to the summary in the manner indicated.

A general discussion of the matter ensued, during which it appeared to be the consensus that since the report of the committee is in preliminary form, and is subject to revision, and has not been released for publication it would be preferable for the Secretary to refrain from referring to it in the manner indicated. At the conclusion of the discussion it was decided to make the preliminary report of the System Committee on Branch, Group and Chain Banking the special order of business at a meeting of the Board to be held tomorrow at 11:30 a. m., and to call the special attention of the Secretary of the Treasury to the purpose of the meeting.

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The Secretary then stated that the Governor of the Federal Reserve Bank of Atlanta had called him on the telephone today and inquired whether there would be any objection to his allowing one of the directors of the bank, as well as the member of the Federal Advisory Council from the Sixth District, to read the summary report of the committee on branch, group and chain banking. Mr. Morrill stated that he had advised Governor Black that the report was distributed at the meeting of the Board with the governors and agents on November 14 as a preliminary confidential report subject to change, and that for the time being it was expected that the report would not be made available to anyone who had not received a copy at the meeting.

The matter was discussed briefly, and the Secretary was requested to send a telegram to all Governors and agents, as well as to Messrs. Rounds, Fleming and Clerk, members of the committee, stating that the summary report is preliminary only and subject to revision, and that it should be held in strict confidence.

Reports of Standing Committee dated November 18 and 19, 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. 5.</u>		
Depositors National Bank, Durham, N. C.	180	180
<u>District No. 11.</u>		
First National Bank in Lott, Texas.	18	18
	Total	198
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 7.</u>		
Commercial Savings Bank, Marshall, Michigan. (Increase in surplus)	2	2
<u>District No. 11.</u>		
Citizens National Bank in Waxahachie, Texas. (Increase in surplus)	18	18
	Total	20

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<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
Homer City National Bank, Homer City, Pa. (Insolvent)	41	41
<u>District No. 7.</u>		
Bank of Saginaw, Saginaw, Mich. (Decrease in surplus)	300	300
<u>District No. 8.</u>		
First National Bank, Palestine, Ill. (Insolvent)	27	
Bozeman Waters First National Bank, Poseyville, Indiana. (Insolvent)	<u>36</u>	63
<u>District No. 9.</u>		
First National Bank, Parshall, N. Dak. (Insolvent)	18	
First National Bank, Ryder, N. Dak. (Insolvent)	<u>30</u>	48
<u>District No. 10.</u>		
First National Bank in Greensburg, Kansas. (Insolvent)	29	29
<u>District No. 12.</u>		
Tillamook National Bank, Tillamook, Oregon. (V.L.Abs. by First National Bank)	<u>33</u>	33
	<u>Total</u>	<u>514</u>

Approved.

Thereupon the meeting adjourned.

Walter Merrill  
Secretary.

Approved:

Walter Merrill  
Governor.