

A meeting of the Federal Reserve Board was held in Washington on Wednesday, November 23, 1932, at 11:40 a. 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.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on November 2 and 3, 1932, were approved and the actions recorded therein were unanimously ratified.

The Board then considered and acted upon the following matters:

Telegram dated November 22, 1932, from the Chairman of the Federal Reserve Bank of Boston stating that the board of directors, at its meeting on that date, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memoranda dated November 21, 1932, from the Chief of the Division of Bank Operations transmitting and recommending acceptance, as of November 23, 1932, of the resignation of Mr. C. M. Mears, an employee on the night force of the Gold Settlement Fund and recommending the appointment, as of November 25, 1932, of Mr. Harold B. Richardson, with compensation at the rate of \$1.50, \$2.25 or \$3.00 per night, depending upon the hours of his service.

Approved.

Memorandum dated November 8, 1932, from the Chief of the Division of Examinations, recommending the appointment of Mr. Edwin R. Millard as a Federal reserve examiner with salary at the rate of \$4,500 per annum, the appoint-

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ment to become effective as soon as Mr. Millard takes the oath of office.

Upon motion, it was voted to appoint Mr. Millard as an examiner for all purposes of the Federal Reserve Act, as amended, and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Federal Reserve Board, to designate him as a Federal reserve examiner, and to fix his salary at the rate of \$4,500 per annum, all effective on the date on which Mr. Millard takes his oath of office.

On this motion Mr. Miller voted "no", for reasons explained in a statement of the Secretary of the Board which is included in the files.

Letter to the Federal Reserve Agent at Philadelphia, approved by five members of the Board on November 22, 1932, requesting that he advise the First National Bank of Woodstown, New Jersey, that effective if and when its capital has been increased to at least \$100,000, the Federal Reserve Board has granted it the right to act, under the provisions of Section 11(k) of the Federal Reserve 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 New Jersey, the exercise of all such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board. The letter also requested, in connection with the proposed absorption by the First National Bank of the Salem County Trust Company, the commercial department of which holds participations in individual mortgage loans in which trust funds held by the company have been invested, that the agent call the national bank's attention to the provisions of section 11(k) requiring that national banks exercising trust

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powers shall segregate all assets held in any fiduciary capacity from the general assets of the bank and the Board's ruling that the investment by a national bank of trust funds and funds of the commercial department in participations in the same mortgages does not conform to the requirements of section 11(k).

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by five members of the Board on November 22, replying to Assistant Federal Reserve Agent Young's letters of November 3, 4 and 16, 1932, with regard to the Pinconning State Bank, Pinconning, Michigan, which filed a notice of its intention to withdraw from membership on May 7, 1932, and, accordingly, could have effected withdrawal on November 7. The reply noted that a plan of reorganization to correct the unsatisfactory condition of the institution is under way, and that the agent has signified his willingness to grant the bank thirty days in which to make the necessary corrections, and stated that the Board has no objection to the procedure which is being followed. The reply also stated that it is assumed that the Federal reserve agent will be careful to avoid giving the bank the impression that it may be required to effect a withdrawal from membership pursuant to the notice previously given; also, that in some instances it is desirable in cases of this kind to suggest to the bank that it should withdraw from membership in accordance with the notice of intention, but that under the law a State member is not required to effect such withdrawal and may abandon the notice of intention to withdraw if it desires to do so.

Approved.

Letter dated November 22, 1932, from the Chairman of the Federal Re-

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serve Bank of Philadelphia, referring to his letter of November 3, with regard to the share-the-work plan previously authorized by the board of directors of the bank and stating that it is now proposed to calculate the deductions to be made from the salaries of the present officers and employees of the bank on the income tax principle; the deduction on all salaries of \$2,000 or less to be not more than 1.95% in the discretion of the officers of the bank; on salaries between \$2,000 and \$5,000, not more than 2.25%; on salaries between \$5,000 and \$12,000, not more than 2.6%; and on all salaries over \$12,000, not more than 3.25%. The letter also stated that the modified plan would be submitted to the executive committee of the bank at its meeting today and if approved by the committee the Board would be so advised by telegram.

After discussion, the Secretary was authorized, upon receipt of advice from the Chairman of the Philadelphia bank that the revised plan had been approved by the executive committee, to inform the Chairman that the Federal Reserve Board interposes no objection to the plan and approves the salary payments involved in the employment of the additional temporary employees contemplated by the plan; Mr. Hamlin voting "no".

The Governor then stated that he had discussed with Mr. L. B. Williams, Deputy Chairman of the Federal Reserve Bank of Cleveland and Chairman of the Banking and Industrial Committee of the Fourth Federal Reserve District, the employment by the Federal Reserve Bank of Cleveland of Mr. Harry K. Hauck as Office Manager for the share-the-work movement, and that Mr. Williams will call on the telephone on Friday of this week for a further discussion of the matter, following which the Governor will discuss it again with the Board.

The question was then raised as to the appointment by the Board of

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Class C directors and branch bank directors for the terms beginning January 1, 1933, and the designation of the Chairmen and Deputy Chairmen at Federal reserve banks for the coming year.

It was decided to make this matter the special order of business at a meeting to be held on a date to be fixed by the Governor of the Board following his return on December 3, 1932, from a visit to some of the western Federal reserve banks.

There was then presented a memorandum prepared by the Board's Division of Examinations under date of November 23, 1932, calling attention to the fact that the report of examination of the Guardian Trust Company, Cleveland, Ohio, as of February 29, 1932, discloses that the bank holds in its assets (1) a note in the amount of \$44,201 signed by Messrs. A. W. Dean and E. R. Fancher, Governor of the Federal Reserve Bank of Cleveland, (2) a note in the amount of \$58,000, signed by Mr. George DeCamp, Chairman and Federal Reserve Agent at the Federal Reserve Bank of Cleveland, and (3) a note in the amount of \$1,300 signed by Mr. William Taylor, Chief National Bank Examiner for the Fourth Federal Reserve District. A general discussion ensued during which attention was called to the expiration on December 31, 1932, of the appointment of Mr. DeCamp as a Class C director and of his designation by the Board as Chairman and Federal Reserve Agent.

At the conclusion of the discussion, the Secretary was requested to communicate with Mr. DeCamp and to request him to come to Washington on Monday, November 28, 1932, for a meeting at 10:30 a. m. with the Committee on District No. 4, and to be prepared to give the committee full information with regard to his indebtedness to any member or nonmember bank.

The Secretary was also requested to bring to the attention of the Acting Comptroller of the Currency the loan to Chief National Bank Examiner Taylor as reported in the report of examination of the Guardian Trust Company.

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Reference was then made to the question whether an appropriation should be made by Federal reserve banks of an amount estimated at \$75,000 to cover the cost of a Federal Reserve System exhibit at the Century of Progress Exposition in Chicago in 1933. The unanimous opinion was again expressed that the proposed expenditure is not justified and the question was then raised as to the advisability of a less pretentious exhibit. The Secretary stated that the Director of the Division of Research and Statistics is very strongly of the opinion that the Federal Reserve System should not attempt anything other than an exhibit of the highest type.

At the conclusion of the discussion, it was determined to be the consensus of the members present that the Federal reserve banks should abandon all plans for an exhibit at the Century of Progress Exposition and the Secretary was requested to advise the Federal reserve banks accordingly.

Telegram dated November 23, 1932, from the Governor of the Federal Reserve Bank of Boston stating that the advance made by the Federal Reserve Bank of Boston under authority previously granted by the Board to the Peoples National Bank, Southbridge, Massachusetts, in accordance with the provisions of section 10(b) of the Federal Reserve Act, is still outstanding in the amount of \$30,000; that the local conditions are about the same as at the time the advance was originally made and that the board of directors of the Boston bank, subject to the approval of the Federal Reserve Board, had authorized the continuance for a period of ninety days of advances in accordance with section 10(b), up to a maximum of \$75,000, with interest at the rate of 5 1/2% per annum.

The Secretary was requested to advise Governor Young that the Federal Reserve Board interposes no objection to the continuance in the amount of \$30,000 now outstanding of the advance made to the member bank;

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that the Board authorizes an additional advance in accordance with the provisions of section 10(b), in the amount of \$45,000, with interest at the rate of 5 1/2% per annum, payable on demand; and that in the event the advances are not repaid nor demand for payment made within ninety days from this date, the matter should again be presented to the Board with a statement of the conditions which, in the opinion of the Federal Reserve Bank, justify the continuance of the advances without demand for repayment.

Telegram dated November 23, 1932, from the Governor of the Federal Reserve Bank of Boston referring to the Board's telegram of June 2, 1932, and stating that the Berlin National Bank, Berlin, New Hampshire, is again offering for rediscount the note of the Fidelity Savings Bank of Berlin, in the amount of \$10,000, secured by United States Government securities; that while the Berlin National Bank has eligible paper, the Federal reserve bank would much prefer to have the note of the nonmember bank secured by Government bonds and that as the nonmember bank would suffer substantial loss if compelled to dispose of the bonds at the present time, it is recommended that the Board authorize the discount of the note.

The Secretary was requested to advise Governor Young that the Board interposes no objection to the discount for the Berlin National Bank of the note of the nonmember bank referred to, under the authority granted in the Board's telegram of June 2, 1932.

Thereupon the meeting adjourned.

Wesley Merrill
Secretary.

Approved:

Augustus C. Young
Governor.