

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, December 2, 1932, at 11:15 a. m.

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

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary.

Reference was made to the recommendation adopted at the Federal Reserve Agents' Conference on November 16, 1932, with regard to the policy to be followed by the Board in granting permits under the provisions of section 8 of the Clayton Act, and to the work to be done by Counsel's office in assembling information for submission to the Board in connection with its consideration of the question.

After discussion, it was decided to make the matter a special order of business at a meeting of the Board to be held on December 9, 1932.

The Committee then considered and acted upon the following matters:

Letters dated November 23 and December 1, 1932, from the Secretary of the Federal Reserve Bank of New York, and telegrams dated November 25, 1932, from the Chairman of the Federal Reserve Bank of Chicago, November 30, 1932, from the Chairman of the Federal Reserve Bank of Boston and the Secretary of the Federal Reserve Bank of Minneapolis, December 1, 1932, from the Chairman of the Federal Reserve Bank of San Francisco, and December 2, 1932, from the Chairman of the Federal Reserve Bank of St. Louis, 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.

Reply, approved by four members of the Board on November 29, to a

12/2/32

-2-

461

letter dated November 21, 1932, from Senator James J. Davis recommending favorable consideration of the application of Mr. Robert R. Helriegel of Scranton, Pennsylvania, for the position of examiner in the Board's Division of Examinations. The reply stated that Mr. Helriegel's application is on file but there is no place in the Board's staff in which his services could be utilized at this time.

Approved.

Letter to the Chairman of the Federal Reserve Bank of Philadelphia, approved by three members of the Board on November 26, 1932, referring to his letter of November 23, 1932, and his subsequent telephone conversation with the Secretary of the Board, in which he advised of further modification of the share-the-work plan submitted in his letters of November 3 and 22, 1932, to provide for a reduction in the working time of each employee of the bank of one-half day per month during the period in which the plan is in operation; for the employment on a temporary basis of about twenty five new employees; and for the following deductions from the salaries of present employees:

- \$2,000 per annum or less - not more than 1.5%
- Over \$2,000 and not over \$5,000 per annum - not more than 2.25%
- Over \$5,000 and up to \$10,000 per annum - not more than 2.6%
- \$10,000 per annum and over - not more than 3.25%

The letter noted that these deductions will aggregate something less than \$23,000 which it is estimated is the amount required to pay the salaries of the temporary employees provided by the plan and that the executive committee of the Federal Reserve Bank of Philadelphia recommends that the difference be absorbed by the Philadelphia bank, and stated that the Federal Reserve Board offers no objection to the plan as recommended and

12/2/32

approves the salary adjustments involved in the employment of additional people in accordance with the plan. The reply also requested that the Chairman keep the Board advised currently as to the number and salaries of the temporary employees employed by the bank, together with the actual amount of the salary reductions under the plan and any effects of the plan upon the operation of the bank.

Approved.

Mr. Hamlin stated that his position with regard to the above matter is the same as when the plan submitted by Philadelphia was discussed at the meeting on November 23, and that he had approved the letter above referred to merely as indicating the action of the Board and not as expressing his personal approval of the plan.

Reply, approved by four members of the Board on November 29, to a letter dated November 23, 1932, from the Federal Reserve Agent at New York, recommending that Messrs. James W. Healey, Spencer Marsh, Jr., Frank E. Montmeat and Donald S. Stroeble, employees of the Bank Examinations Department of the Federal Reserve Bank of New York, be designated as assistant Federal reserve bank examiners. The reply stated that the Board approves the designation as assistant Federal reserve bank examiners of the employees named, it being noted that no change is to be made in their salaries at this time.

Approved.

Letter to Deputy Governor Attebery of the Federal Reserve Bank of St. Louis, approved by three members of the Board on November 29, 1932, stating that, in accordance with the recommendation contained in his letter of November 16, the Board approves a change in the personnel classification plan of the Memphis branch to provide for the new part time position of "Custodian" in the Collateral and Custody and Fiscal Agency Department of

12/2/32

-4-

the branch. The letter also requested that the agent advise whether or not the bank will be reimbursed in whole or in part for the salary paid to the custodian, and whether he is performing similar service for another employer and if so the name of such employer.

Approved.

Letter to the Acting Comptroller of the Currency, approved by four members of the Board on December 1, 1932, stating that in accordance with the recommendation contained in his letter of November 28, 1932, the Board approves a salary at the rate of \$3,000 per annum for National Bank Examiner Thomas C. Patterson, assigned to the Eleventh Federal Reserve District.

Approved.

Telegraphic reply, approved by five members of the Board on November 28, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for a renewal for a period of 90 days from November 29, 1932, with interest at the rate of 5 1/2% per annum, and on the security of customers' secured and unsecured ineligible notes and miscellaneous securities with a margin of at least 25%, of the advance made by the Federal Reserve Bank of New York, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the First National Bank, Bolivar, New York, in the amount of \$40,000; Deputy Governor Rounds stating that the bank is unable to liquidate the loan at this time and requests renewal. The reply stated that the Board authorizes the renewal of the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply, approved by five members of the Board on November 29, 1932, to a telegram of that date from Assistant Deputy Governor Gidney of the Federal Reserve Bank of New York, requesting authority for a further

12/2/32

advance, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Labor National Bank, Paterson, New Jersey, in the amount of \$25,000, for a period of ninety days, with interest at the rate of 5 1/2% per annum, and on the security of customers' secured notes with a margin of at least 25%; Assistant Deputy Governor Gidney stating that this advance is in addition to the two advances made to the member bank in accordance with authority granted in the Board's telegrams of September 22 and October 27, 1932, and that the advance is desired to meet the payment of Christmas club deposits on December 1. The reply stated that the Board approves the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply, approved by five members of the Board on November 28, to a letter dated November 26, and telegrams dated November 28, 1932, from the Governor of the Federal Reserve Bank of Philadelphia, requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Commercial National Bank, Philadelphia, Pennsylvania, in the amount of \$125,000, for a period of 90 days, with interest at the rate of 5 1/2% per annum, and on the security of ineligible paper in the amount of \$250,000, a large part of which consists of well secured collateral loans; Governor Norris stating that the advance is desired to enable the bank to meet the anticipated withdrawal of Christmas funds in the amount of approximately \$100,000, and to build up the bank's reserves. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply, approved by three members of the Board on November

12/2/32

29, 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 Fishkill National Bank, Beacon, New York, \$40,000 of tax notes of the City of Beacon. 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 exceeds 25% of the total outstanding warrants of the municipality.

Approved.

Letter, approved by three members of the Board on November 25, 1932, to the Terre Haute First National Bank, Terre Haute, Indiana, which is a consolidation of the Terre Haute National Bank and Trust Company and the First-McKeen National Bank and Trust Company under the charter of the latter bank, transmitting a certificate of the authority of the consolidated institution to exercise the trust powers previously granted to the constituent banks.

Approved.

Letter, approved by three members of the Board on November 25, 1932, to the First City National Bank, Floresville, Texas, which is a consolidation of the City National Bank and the First National Bank, both of Floresville under the charter of the latter; transmitting a certificate of the authority of the consolidated institution to exercise the trust powers previously granted to the City National Bank.

Approved.

Letter to Mr. A. Walter Lukens, Cashier of the Sixth National Bank of Philadelphia, Pennsylvania, approved by four members of the Board on November 28, 1932, referring to the resolution adopted by the board of directors of the bank on March 8, 1932, signifying the desire of the bank

12/2/32

to surrender its right to exercise trust powers, and stating that the Board understands that the bank has never exercised its right to act in trust capacities and that the Board has, therefore, issued a formal certificate to the national bank certifying that it is no longer authorized to exercise any of the fiduciary powers enumerated in section 11(k) of the Federal Reserve Act, which certificate was inclosed with the letter. The letter also called attention to the fact that the bank should not exercise any of the powers enumerated in section 11(k) of the Federal Reserve Act without first applying for and obtaining from the Federal Reserve Board a new permit to exercise such powers.

Approved.

Telegraphic reply, approved by four members of the Board on November 28, to a letter dated November 23, and telegram dated November 26, 1932, from Assistant Federal Reserve Agent Fletcher at the Federal Reserve Bank of Cleveland stating that it is planned to reopen immediately the Home National Bank of Union City, Pennsylvania, which closed on January 18, 1932, and recommending that Federal reserve bank stock be reissued to the bank if and when the reopening is approved by the Comptroller of the Currency. The reply stated that the Board approves the issue of 36 shares of stock of the Federal Reserve Bank of Cleveland to the national bank if and when the Comptroller of the Currency authorizes the bank to reopen with capital of \$50,000 and surplus of \$10,000.

Approved.

Letter to the Federal Reserve Agent at Cleveland, approved by four members of the Board on November 28, replying to Assistant Federal Reserve Agent Fletcher's letter of November 10, 1932, transmitting the application

12/2/32

467

-8-

of the Farmers and Merchants Bank Company, Smithville, Ohio, for membership in the Federal Reserve System. The reply stated that in view of the extended condition of the institution, its limited earning power, small volume of deposits, apparently limited opportunity for future development, and the recommendation of the executive committee of the Cleveland bank, the Board does not feel that it should approve the admission of the bank to membership at this time. The reply also requested that the agent suggest to the applicant bank the withdrawal of its application from further consideration, in which event no adverse action thereon will be taken by the Board.

Approved.

Letter to the Farmers Bank of Clinch Valley, Tazewell, Virginia, approved by four members of the Board on November 28, 1932, stating that the Board has approved the bank's application for membership in the Federal Reserve System and for 150 shares of the capital stock of the Federal Reserve Bank of Richmond subject to certain conditions set forth in the letter.

Approved.

Letter to the Federal Reserve Agent at Minneapolis, approved by four members of the Board on November 28, replying to Assistant Federal Reserve Agent Bailey's letter of November 18, 1932, reporting that the First National Bank of Thief River Falls, Minnesota, 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 recommendation of the agent's office, the Board will take no action in the matter at this time other than to forward a copy of Mr. Bailey'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,

12/2/32

-9-

as to whether the bank has restored and is maintaining its required reserves.

Approved.

Letters to the Federal Reserve Agent at Minneapolis, approved by four members of the Board on November 28 and November 29, replying to Assistant Federal Reserve Agent Bailey's letters of November 18, 1932, with further regard to the continuous reserve deficiencies of the First National Bank of Conrad, Montana, previously reported to the Board on August 26, 1932; the First National Bank of Swanville, Minnesota, and the First National Bank of Foley, Minnesota, previously reported on August 15, 1932; and the Citizens and Security National Bank of St. James, Minnesota, previously reported on September 19, 1932. The replies stated that, in accordance with the recommendations of the agent's office, the Board will take no action with regard to these deficiencies at this time other than to forward copies of Mr. Bailey's letters to the Acting Comptroller of the Currency for the information of his office. The replies also requested that the agent continue to keep the Board currently advised of any developments in the reserve records of the banks.

Approved.

Letter to the Federal Reserve Agent at Minneapolis, approved by four members of the Board on November 29, 1932, replying to Assistant Federal Reserve Agent Bailey's letter of November 18, 1932, in which he reported that the First National Bank of Goodhue, Minnesota, has been continuously deficient in its required reserves for six and one-half months. The reply stated that, in view of the information submitted and in accordance with the recommendation of the agent's office, the Board will take no action in the matter at this time other than to forward a copy of Mr. Bailey's letter to

12/2/32

-10-

469

the Acting Comptroller of the Currency for the information of his office. The reply also suggested that, if the agent has not already done so, he consider the advisability of addressing a letter to the directors of the national bank in accordance with section IV(b) of Regulation D, and requested that he advise the Board of his decision on this point and, 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 29, to a letter dated November 10, 1932, from the Federal Reserve Agent at Boston, inclosing a copy of a letter received by him from the Bank Commissioner of the State of Maine with reference to the Union Trust Company of Ellsworth, Maine. The reply stated that the Board is fully in accord with the agent's representations to the Bank Commissioner and to the bank that further payment of dividends by the member bank should be suspended, and requests that the agent continue to urge the conservation of earnings in order to strengthen the bank's position. The reply also requested that the agent arrange for an examination of the member trust company at as early a date as possible, to be participated in by a representative from his office, and that in the meantime he keep the Board advised of any developments.

Approved.

Letter to the Acting Comptroller of the Currency, approved by five members of the Board on November 28, replying to his letter of October 26, 1932, in which he quoted an excerpt from a letter dated September 13, from the Merchants National Bank in Plattsburg, New York, stating that the directors do not feel that they can underwrite at this time any stock increase

12/2/32

-11-

470

in addition to the contribution and assistance heretofore given by them, and that any attempt to offer stock for sale to the public in order to comply with the requirement contained in the Board's letter of June 16, 1931, granting the bank permission to exercise fiduciary powers, would have a disturbing effect in the community. The reply stated that the Board's letter of October 18, 1932, was prompted among other things by the fact that in the national bank examiner's report of examination of the national bank as of July 28, 1932, he referred to the capital of the bank as being almost completely impaired and recommended an assessment against the stockholders. The reply also stated that, as there are provisions in the National Bank Act by which the Comptroller of the Currency may obtain a correction of an impairment in the capital of a bank, it is assumed the Acting Comptroller will take appropriate action if and when the circumstances warrant. On November 28, 1932, a letter was also dispatched to the Federal Reserve Agent at New York, inclosing a copy of the Acting Comptroller's letter of October 26, 1932, and of the Board's reply and requesting that the agent follow the progress of the affairs of the Merchants National Bank closely and confer with the Chief National Bank Examiner, advising the Board of any developments of importance.

Approved.

Letter to the Federal Reserve Agent at Cleveland, approved by five members of the Board on November 29, referring to Assistant Federal Reserve Agent Fletcher's letter of October 11, 1932, with regard to the condition of the Chagrin Falls Banking Company, Chagrin Falls, Ohio, as shown by the report of examination as of June 27, 1932. The reply requested additional information with regard to certain matters referred to in the report, and also that the agent endeavor to obtain, for the information of the Board, a recent statement of condition of the Union-Cleveland Corporation, which owns

12/2/32

-12-

all of the stock of the member bank, and which in turn is owned by the Union Trust Company of Cleveland.

Approved.

Letter to the Federal Reserve Agent at Cleveland, approved by four members of the Board on November 28, 1932, referring to the analysis of report of examination as of June 4, 1932, of the Union Bank and Savings Company, Bellevue, Ohio, and requesting, in view of the information disclosed by the analysis, that the agent consider the advisability of discussing the condition of the bank with the Superintendent of Banks of the State of Ohio, with the view of developing the possibility of obtaining a cash contribution or guaranty from the directors to provide for certain estimated losses and such losses as may develop in assets classified as doubtful. The letter also suggested that the agent discuss with the Superintendent of Banks the question of the advisability of the payment by the member bank of any dividend under existing conditions.

Approved.

Letter to the Federal Reserve Agent at Atlanta, approved by four members of the Board on November 28, 1932, referring to the highly unsatisfactory condition of the Citizens State Bank, Marianna, Florida, as disclosed by the analysis of the report of examination as of July 18, 1932, and to the agent's recommendation that no action be taken with regard to the membership of the bank pending another examination which will be made early next year at which time the matter will again be reviewed. The Board's letter stated that inasmuch as the crop liquidating season is probably well advanced, the agent should arrange for another examination at an early date, either in conjunction with the State banking department or independently, and suggested

12/2/32

-13-

that, as the directors of the bank are understood to represent substantial financial worth, they would be expected to place the institution in a more satisfactory condition if it is to continue as a member of the System.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by five members of the Board on November 28, 1932, replying to Assistant Federal Reserve Agent Young's letter of November 2, 1932, advising that the agent's representative has been instructed to visit the banking department of the State of Wisconsin and ascertain what steps have been, or will be, taken to correct the major criticisms reflected in a credit investigation of the Farmers and Merchants State Bank of Seneca, Wisconsin, as of October 10, 1932, and that it is the intention of the agent, in the event that corrective action is not taken within a reasonable time, to have a representative visit the subject bank and request that it file notice of intention to withdraw from membership in the System. The reply stated that it is assumed that, if the agent's representative suggests to the member bank that it file such notice, he will carefully avoid giving any impression that the bank is required to give the notice, as the Board believes it is desirable that the bank be given an opportunity to effect a voluntary withdrawal before proceedings are instituted looking toward its expulsion from the System.

Approved.

Reply, approved by four members of the Board on November 28, to a letter dated September 6, 1932, from the Federal Reserve Agent at St. Louis, with regard to the removal from the accounts of the Chouteau Trust Company, St. Louis, Missouri, of the \$80,000 of first mortgage bonds held by that institution at the time it was admitted to membership in the Federal Reserve System. The reply requested, for the completion of the Board's records, that

12/2/32

-14-

the agent furnish all the details with regard to the manner in which the bonds were removed, including the reason for the acceptance, in connection with the transaction, of a note of the directors in the amount of \$8,900 in lieu of cash and what plans the directors have made for the payment of the note if it has not already been paid in full. The reply also requested that the agent advise the Board as to the results of his conference with the vice president of the trust company which was to have been held on October 15, 1932.

Approved.

Letter to the Acting Comptroller of the Currency, approved by four members of the Board on November 28, 1932, submitting for the consideration of the Acting Comptroller and for such action as he deems advisable in view of all the circumstances involved, a recommendation of the Acting Assistant Federal Reserve Agent at St. Louis that the Comptroller appoint a receiver for the McDaniel National Bank, Springfield, Missouri, in order that the Federal reserve bank stock issued to that bank may be canceled, it being understood that the national bank has been absorbed by another institution and has not exercised banking functions for more than sixty days, but that a receiver has not been appointed and that the bank has not been placed in liquidation in accordance with the provisions of the National Bank Act.

Approved.

Reply to a letter dated September 9, 1932, from the Federal Reserve Agent at St. Louis, with regard to the improvement made in certain criticized matters referred to in the analysis of report of examination as of June 13, 1932, of the Greenwood Bank and Trust Company, Greenwood, Mississippi. The reply requested advice from the agent concerning any further corrections

12/2/32

-15-

which may have been effected, and the present status of the proposed reorganization of the bank.

Approved.

Letter to the Federal Reserve Agent at Dallas, approved by four members of the Board on November 28, 1932, with reference to the analysis of report of examination as of August 26, 1932, of the Mercantile Bank and Trust Company of Texas, Dallas, Texas, which discloses that the member bank, through a wholly owned subsidiary, the Mercantile Securities Corporation, controls eight banking institutions in the State of Texas. The letter stated that it appears that, at the time the Mercantile Bank and Trust Company was admitted to membership in the Federal Reserve System, it held no investment, either directly or through an affiliate, in stocks of other banking institutions, and requested that the agent advise the Board in detail of all of the facts in the case, together with his recommendation as to the action which should be taken in the matter. The letter also suggested that the agent discuss with the bank commissioner of the State of Texas the matter of the payment of dividends by the member bank and that he advise the Board as to the action taken or contemplated by the member bank toward the improvement of its unsatisfactory condition.

Approved.

Letter to the Federal Reserve Agent at Dallas, approved by four members of the Board on December 1, 1932, with reference to the analysis of report of examination of the Dallas Bank and Trust Company, Dallas, Texas, as of September 9, 1932, which discloses that the institution owns substantially all of the capital stock of the Dallas Title and Guaranty Company, which is carrying a number of notes secured by the member bank's own stock.

12/2/32

-16-

The Board's letter requested the agent to advise the member institution that either the loans referred to should be eliminated from the accounts of the Dallas Title and Guaranty Company or other collateral should be substituted for the stock within a reasonable time. The letter also requested that the agent keep the Board advised as to the progress made by the trust company in the elimination of the shares of its own stock, as well as on the suggestion of the State banking authorities with regard to the elimination by the member institution from its savings department of loans collateralized by bank stock which it is assumed, however, is not the stock of the subject bank.

Approved.

Letter, approved by four members of the Board on November 30, 1932, to Mr. Laurence M. Miller, Baltimore, Maryland, inclosing a Clayton Act permit covering his service as a director of the National Marine Bank and as a director of the Colonial Trust Company, both of Baltimore, Maryland.

Approved.

Letter to Mr. P. C. Hale, San Francisco, California, inclosing a Clayton Act permit covering his service as a director and officer of the Bank of America National Trust and Savings Association of San Francisco, as director and officer of the Bank of America of San Francisco, and as a director of the First National Bank of San Jose, California.

Approved.

Letter to the Federal Reserve Agent at San Francisco, approved by five members of the Board on November 30, 1932, inclosing letters, also approved by five members of the Board on November 30, to the Bank of America National Trust and Savings Association and to the Bank of America, both of San Francisco, California, which constitute the Board's formal notification

12/2/32

-17-

476

of its action, pursuant to the provisions of section 8 of the Clayton Act permitting all present and future officers and employees of each of the two banks named (who are not directors, officers or employees of any other bank or trust company) to serve the other institution named. The letter stated that this method of procedure was adopted by the Board when it became apparent from Assistant Federal Reserve Agent Sargent's letter of July 22, 1932, that the number of interlocking officers and employees had become very large as the result of resolutions recently passed by the two banks, and it was felt unnecessary to require a separate application on behalf of each officer and employee concerned, or even to require them all to sign one application, in view of the fact that precisely the same question is involved in each case. The letter also stated that, unless the agent has some reason for believing that the procedure outlined is undesirable, he is authorized to deliver the inclosed letters to the respective banks.

Approved.

Letter to the Federal Reserve Agent at Philadelphia, approved by four members of the Board on November 28, 1932, stating that the Board has considered the Clayton Act application of Mr. William W. Bodine, Villanova, Pennsylvania, for permission to serve as a director of the First National Bank of Philadelphia and of the Provident Trust Company of Philadelphia, and as it appears that the available information is not sufficient to make it possible to estimate accurately the extent of the competition existing between the two institutions, it will be appreciated if the agent will furnish more detailed information regarding their business, together with a full statement of the reasons for the conclusion that it would not be incompatible with public interest to grant Mr. Bodine's application.

Approved.

12/2/32

477

-18-

Telegraphic reply, approved by four members of the Board on November 28, 1932, to a telegram dated November 23, 1932, from the Governor of the Federal Reserve Bank of San Francisco inquiring whether a Federal reserve bank may discount eligible paper for a regional agricultural credit corporation. The reply stated that, in view of the provisions of section 201(e) of the Emergency Relief and Construction Act of 1932, it is the Board's opinion that Federal reserve banks may legally rediscount eligible paper for regional agricultural credit corporations, but, inasmuch as such corporations are authorized to rediscount eligible paper also with the Reconstruction Finance Corporation and Federal intermediate credit banks, it is assumed that, before requesting Federal reserve banks to rediscount their paper, they will consult with the Reconstruction Finance Corporation and will also utilize their authority to rediscount with Federal intermediate credit banks. The reply also stated that in the event it should become desirable for the Federal reserve banks to rediscount paper for regional agricultural credit corporations, there are a number of questions to be considered with a view of obtaining such uniformity of policy and procedure among the Federal reserve banks in accepting such paper for rediscount.

Approved.

Telegram to the governors of all Federal reserve banks, approved by four members of the Board on November 28, 1932, referring to the provisions of Regulation G and to the Act of July 21, 1932, which reduced the maximum rate of interest that may be charged on loans secured by veterans' adjusted service certificates from 4 1/2% to 3 1/2% per annum, and advising that the Comptroller General of the United States has ruled that interest accrued on or after July 21, 1932, on loans made prior to that date, as well as on loans

12/2/32

made on that date or thereafter, may not exceed 3 1/2% per annum. The telegram also called attention to the provisions of the Adjusted Compensation Act that a note is not eligible for redemption unless accompanied by an affidavit of an officer of the lending bank that it has not made or collected or attempted to make or collect any charges except interest as allowed by law, and stated that if any notes secured by veterans' adjusted service certificates and representing loans made prior to July 21, 1932, are presented at Federal reserve banks for rediscount, it would be advisable before discounting such notes to obtain not only the usual affidavit with regard to the amount of interest charged, but also specific advice that the lending bank has not charged or collected or attempted to charge or collect interest thereon accruing on or subsequent to July 21, 1932, at a rate in excess of 3 1/2% per annum.

Approved.

Reply, approved by three members of the Board on November 28, 1932, to a letter dated November 25, 1932, from the Governor of the Federal Reserve Bank of New York, advising that the board of directors of the bank, at its meeting on November 23, indicated that it is not in favor of acceding to the request of the Reichsbank, transmitted through the Bank for International Settlements, for a reduction to 4 1/2% per annum in the interest rate on a renewal, for a further three months period, of the credit to the Reichsbank which expires on December 5, 1932, and that, accordingly, it was voted, subject to the approval of the Board, to authorize the officers of the New York bank to arrange for the renewal of the unpaid balance of its participation in the credit for a period not exceeding three months from December 5, 1932, on substantially the same terms and conditions as now exist, provided all other participants in the credit agree to do likewise. Governor Harrison

12/2/32

479

-20-

also stated that the Reichsbank will probably be in a position to repay at least \$1,000,000 to each of the participants in the credit on December 5, 1932; that the directors have indicated that they might favor a reduction of the interest rate if and when the Reichsbank should make a substantial repayment of the principal amount of the credit; and that in connection with the renewal of the credit it is proposed to advise the Bank for International Settlements that, without prejudicing its right to full payment of the credit at the next maturity after December 5, 1932, the Federal Reserve Bank of New York will expect the Reichsbank to make a substantial repayment, perhaps 25% of principal amount, on the next maturity after December 5, 1932. The reply stated that the Board will interpose no objection to the action contemplated by the directors of the New York bank or to the proposed advice to the Bank for International Settlements with regard to the repayment on the first maturity date after December 5, of a substantial portion of the credit. The reply requested that Governor Harrison forward to the Board for its records a copy of his communication to the Bank for International Settlements, and that he advise the Board if and when the arrangements for the renewal are completed.

Approved.

Letter to Senator Reed Smoot, approved by four members of the Board on December 1, replying to his letter of November 22, 1932, with which he transmitted the request of Mr. Stuart F. Loughborough, Berkeley, California, for information as to the correctness of statements contained in the speech of Congressman McFadden before the House of Representatives on June 10, 1932. The reply stated that no material designed for the purpose of answering Congressman McFadden's remarks has been prepared, but that the Board is for-

12/2/32

-21-

warding copies of the last three annual reports of the Board which contain much material that may be of interest to Mr. Loughborough. The reply also called attention to the survey of the operation of the national and Federal reserve banking systems which was conducted pursuant to Senate Resolution No. 71, and suggested that Senator Smoot may desire to send to Mr. Loughborough a set of the printed copies of the hearings, together with the report of the Senate Committee on Banking and Currency which it submitted to the Senate in connection with the so-called Glass Bill.

Approved.

Circular letter to the chairmen and governors of all Federal reserve banks, transmitting a copy of a letter dated November 15, 1932, and inclosure, from the Chief of the Bureau of Agricultural Economics of the Department of Agriculture, describing in detail the grading and inspection work now conducted by the Bureau of Agricultural Economics.

Approved.

Letter to the Federal reserve agents and governors of all Federal reserve banks, approved by four members of the Board on November 25, 1932, with reference to the action taken by the Governors' and Federal reserve agents' conferences, following a request by the Acting Comptroller of the Currency for the payment of an increased fee for copies of reports of examination of national banks, in voting that a fee of \$10.00 be paid for each such report furnished to Federal reserve banks until December 31, 1933. The letter stated that, upon consideration of this matter, the Board has approved the payment of the fee of \$10.00 for each report of examination of a national bank until June 30, 1933, after which date the present practice of paying \$5.00 for each report should be resumed in the absence of further

-22-

12/2/32

action in the meantime by the Federal Reserve Board.

Approved.

Letter to the Chairman of the Federal Reserve Agents' Conference, approved by four members of the Board on November 29, 1932, stating that the Board has given further consideration to the proposed Federal Reserve System exhibit at the Century of Progress Exposition in Chicago in 1933, and for the reasons indicated at the joint meeting of the Board with the Governors and Federal reserve agents on November 16, 1932, has reached the conclusion that an exhibit such as suggested by the committee appointed by the Board to report on System participation in the exposition should not be approved; that the Board feels that a less expensive exhibit consisting merely of charts and literature would not be desirable; that, accordingly, the Board is of the opinion that all plans for participation in the Century of Progress Exposition should be abandoned; and that it has, therefore, discontinued the committee appointed by it. On November 29, 1932, there were also dispatched, with the approval of four members of the Board, a letter to Mr. H. G. Pett, Chairman of the Committee appointed by the Board, advising of the Board's appreciation of his service and personal interest in the work of the committee in developing a plan and arriving at an estimate of the cost of a Federal Reserve System exhibit, and letters to the other Federal reserve agents inclosing a copy of the letter addressed to the Chairman of the Federal Reserve Agents' Conference.

Approved.

Memorandum dated December 1, 1932, from Mr. Wyatt, General Counsel, recommending that the Board authorize a subscription to the Congressional Service of the Corporation Trust Company covering pending legislation during the second session of the 72nd Congress relating to banking and currency, at

12/2/32

-23-

482

a cost of \$100 for the session.

Approved.

Memorandum dated November 30, 1932, from Mr. Smead, Chief of the Division of Bank Operations, recommending approval by the Board of the revised condition report form 105 attached to the memorandum; most of the revisions in the form having been made necessary by the Board's recent ruling that certificates of deposit payable to other banks within thirty days are demand deposits within the meaning of section 19 of the Federal Reserve Act.

Approved.

Reports of Standing Committee dated November 25, 29, December 1 and 2, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 11.</u>		
First National Bank in Whitney, Texas.	18	18
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 7.</u>		
Old State Bank, Fremont, Michigan. (Increase in surplus)	2	
First National Bank, Hinsdale, Illinois. (Increase in surplus)	<u>15</u>	17
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 1.</u>		
National Traders Bank & Trust Company, New Haven, Connecticut. (Insolvent)	510	
Lakeport National Bank, Lakeport, N. H. (Decrease in surplus)	<u>12</u>	522
<u>District No. 3.</u>		
Commercial National Bank of Philadelphia, Pennsylvania. (Decrease in surplus)	300	300
<u>District No. 4.</u>		
Diamond National Bank, Pittsburgh, Pa. (Insolvent)	1,260	1,260

12/2/32

-24-

483

<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 5.</u>		
Farmers & Merchants National Bank, Bel Air, Md. (Decrease in surplus)	57	
South Carolina National Bank, Charleston, S. C. (Decrease in surplus)	<u>420</u>	477
<u>District No. 7.</u>		
First National Bank and Trust Company, Baraboo, Wisconsin. (Decrease in surplus)	15	
Lawndale National Bank, Chicago, Illinois. (Decrease in surplus)	120	
First National Bank, Northboro, Iowa. (Insolvent)	<u>32</u>	167
<u>District No. 8.</u>		
First National Bank, Vincennes, Indiana. (Insolvent)	150	150
<u>District No. 9.</u>		
Brown National Bank, Jackson, Minn. (Insolvent)	26	
First National Bank, Egan, South Dakota. (Insolvent)	18	
First National Bank, Wendell, Minn. (Insolvent)	35	
First National Bank, Plaza, North Dakota. (Insolvent)	30	
First National Bank, Van Hook, North Dakota. (Insolvent)	21	
First National Bank, Letcher, S. Dakota. (Insolvent)	<u>25</u>	155
<u>District No. 10.</u>		
Wynona National Bank, Wynona, Okla. (V.L. terminal)	18	
First National Bank, Peetz, Colorado. (Insolvent)	<u>18</u>	36
<u>District No. 11.</u>		
First City National Bank, Floresville, Texas. (Cons. of the First National Bank and City National Bank of Floresville, Texas.)	36	36
	<u>Total</u>	<u>3,103</u>

Approved.

Report of Standing Committee dated November 16, 1932, recommending approval of the following Clayton Act applications:

Mr. Sam Stephenson, for permission to serve at the same time as director of the First National Bank & Trust Company, Helena, Montana, as director and officer of the First National Bank, Great Falls, Montana, and as director of the Montana National Bank, Havre, Montana.

Mr. Charles A. Stone, for permission to serve at the same time as director of the President and Directors of The Manhattan Company, New York, New York, and as director of the First National Bank of Boston, Boston, Massachusetts.

12/2/32

Mr. Vernon G. Owen, for permission to serve at the same time as director of the Liberty National Bank of Washington, D. C., and as director of the Bank of Commerce and Savings of Washington, D. C.

Approved.

Thereupon the meeting adjourned.

Peter Howell
Secretary.

Approved:

Raymond K. Magee
Chairman, Executive Committee.