

A meeting of the Federal Reserve Board was held in Washington on Monday, December 5, 1932, at 12:00 o'clock noon.

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 meeting of the Executive Committee of the Federal Reserve Board held on November 12, 1932, were approved, and the actions recorded therein were unanimously ratified.

The minutes of the meetings of the Federal Reserve Board held on November 16 and 18, 1932, were approved.

The Board then considered and acted upon the following matters:

Telegraphic reply to telegrams dated December 3, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for a renewal in the reduced amount of \$66,000, for a period of sixty days from December 5, 1932, with interest at the rate of 5 1/2% per annum, of the advance made by the New York bank in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, to the Jefferson Trust Company, Hoboken, New Jersey, under the authority of the Board's telegrams of June 6 and September 6, 1932. The reply stated that the Board authorizes the renewal of the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply, approved by three members of the Board on December 2, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for the purchase from the

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Carlstadt National Bank, Carlstadt, New Jersey, of \$65,000 of tax notes of the Borough of Carlstadt. The reply stated that the Board authorizes the purchase with the understanding that the notes meet all requirements of Regulation E except that the population of the issuing municipality is less than 10,000 and the amount offered exceeds 25% of the total outstanding warrants of the municipality.

Approved.

Telegraphic reply, approved by four members of the Board on December 3, to a telegram dated December 1, 1932, from the Federal Reserve Agent at San Francisco, requesting the suspension of paragraph 3, Section 1, Article II of the by-laws of the Seattle branch, which requires that at least one of the directors of the branch appointed by the bank shall reside outside of the city in which the branch is located; Mr. Newton stating that to include the required representation from outside of Seattle would, as in previous years, necessitate an unfortunate change. The reply stated that as to the appointment of a director of the Seattle branch for the term commencing January 1, 1933, the Board waives the provision of its regulations which requires that at least one director appointed by the Federal reserve bank shall reside outside of the branch city; also that the Board has no objection to the by-laws of the branch being amended so as to eliminate this requirement as to appointment of a director of the branch for the term commencing January 1, 1933. The reply also requested that the agent advise if such amendment is made and whether the by-laws of the Portland and Seattle branches were amended so as to eliminate the requirement as to branch directors appointed by the San Francisco bank for terms beginning January 1, 1932.

Approved.

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Telegram and letter dated December 3, 1932, from Assistant Federal Reserve Agent Young at Chicago advising of the acceptance of the resignation as of the close of business on December 2, 1932, of Mr. W. C. Recknagel, Assistant Federal Reserve Agent at the Detroit branch, and of the termination as of that date of his authority to act for the Federal reserve agent in the receipt and delivery of Federal reserve notes.

Noted.

In connection with the above matter, the Secretary presented another letter dated December 3, 1932, from Assistant Federal Reserve Agent Young advising of the discovery of shortages in the accounts of two employees in the transit department of the Detroit branch, and that the written confession of one of the employees states that Mr. Recknagel participated in the shortages; that Mr. Recknagel has denied any participation in the shortages, but has admitted knowledge of them; and that further information regarding the matter is being developed by the auditing department of the bank and will be forwarded to the Board as soon as available.

At this point the Chairman joined the meeting.

Letter to the Chairmen of all Federal reserve banks referring to the Board's letter of June 14, 1928, (X-6069) in which the board of directors of each Federal reserve bank was authorized to grant leaves of absence with pay to employees on account of illness in excess of thirty days, and which requested that monthly reports of all such cases be submitted to the Board. The letter stated that the Board's Division of Examinations has been requested, as a part of the examination of each Federal reserve bank, to review all cases where it appears that such leave of absence has been taken, for the purpose of ascertaining the facts and whether in each case the approval of

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the board of directors of the bank has been obtained; that in any case where it appears that such approval has not been obtained or where there are other circumstances which create any question, the examiners will take the matter up with the proper officer of the bank and make an appropriate reference to such case in the report of examination; and that the Board, in view of this new procedure, feels that it is unnecessary for the Federal reserve banks to continue to render monthly reports of sick leave in excess of thirty days. The letter also stated that, as pointed out in the Board's letter of June 14, 1928, advance approval should be obtained in any case where annual leave is extended beyond the regular vacation to any officer or employee. The Secretary stated that this matter had been discussed with Mr. Paulger, Chief of the Division of Examinations, and that the Division of Examinations will review the procedure followed by each bank in granting sick leave to employees and will incorporate the findings in the reports of examinations.

Approved.

Letter dated November 23, 1932, from the Secretary of the Federal Advisory Council advising of the adoption by the Council at its meeting on November 17-18, 1932, of the following resolution:

"It is the sense of the Federal Advisory Council that Congress be asked to extend for a period of at least one year the provisions of section 10(b) and section 3 of the Glass-Steagall Bill, H. R. 9203."

Noted.

Letter, received from the Secretary of the Governors' conference under date of November 21, 1932, and circulated among the members of the Board, inclosing a copy of the following resolution adopted at the joint conference of governors and Federal reserve agents on Thursday, November 17, 1932; the letter stating that it is the understanding of the Secretary of the

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conference that the reasons referred to in the resolution will be supplied by each governor and/or Federal reserve agent direct to the Federal Reserve Board:

"The question of salary reductions of officers of reserve banks and the possible reductions of wages of their employees having arisen in a joint conference of the Federal Reserve Board and the Governors and Chairmen of the respective banks, and this joint conference of Governors and Chairmen having been called to consider this question, and discussion having been had thereon, it is moved that it is the sense of this joint conference that such salaries and wages should not be reduced at this time, reasons for such conclusion to be furnished the Board. By reason of a delicacy involved in considering officers' salaries since those of the members of this conference are involved, the question of our salaries is not included in this motion. In expressing our views on this question, we do so with all deference to the right of our directors to fix and the Federal Reserve Board to approve all salaries."

Noted.

Statement approved by the Federal reserve agents' conference on November 16, 1932, received by the Governor from the Chairman of the Conference, and circulated among the members of the Federal Reserve Board:

"The Federal Reserve Agents, in conference, have concluded that the most important subject before them at this time is that of the restoration of the capital structure of many existing banks. The emergency credit needs of such banks are being met through their correspondent banks, the Federal reserve banks and such extraordinary public agencies as the Reconstruction Finance Corporation, etc., but the problem of restoration of capital impairment has not yet been adequately solved.

"Provision for the liquidation of closed institutions is already under consideration by the Congress. It is the conviction of our conference that the solvency and health of existing institutions is of paramount importance. Unless some emergency measures are devised, the correction of this situation must wait upon the laborious processes of elimination, consolidation and rehabilitation. In so far at least as the process of rehabilitation is concerned, new capital will be required.

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"Obviously, the solution of this problem at this particular time is extremely difficult and requires considerable study. The first step towards any solution is to state the question. This, in its simplest terms, has only two aspects: What amount of new capital is needed and from what sources may it be obtained? Whatever the amount disclosed by the figures, it can fairly be said at the outset that private sources may not be expected fully to meet the requirements. It is probable that we may have to consider the necessity of resorting to public or quasi-public funds.

"Clearly the Federal Reserve System, as such, is primarily concerned with rendering the maximum of service to its member banks and through them to the community. Measures designed to sustain the health and to maintain the integrity of member banks should naturally have first claim on our attention. It is not our purpose to recommend procedure or even to support specific solutions. It is our purpose to record our conviction of the immediate urgency of the problem."

Noted.

The Governor reported briefly on his visits at the Federal Reserve Banks of Atlanta, Dallas, Kansas City, Minneapolis, Chicago and St. Louis during his absence from Washington, November 25 to December 3.

The Chairman then left the meeting.

The Secretary stated that, in accordance with the request of the Board, Mr. DeCamp, Chairman and Federal Reserve Agent at Cleveland, came to Washington, Monday, November 28, 1932, and met with the Board's Committee on District No. 4 (Messrs. Miller and Hamlin). Mr. Morrill stated that a memorandum of the committee's discussion with Mr. DeCamp is in the Board's files, and he read a letter received from Mr. DeCamp under date of December 2, 1932, submitted at the request of the Committee, giving the circumstances in which his borrowings with the Guardian Trust Company of Cleveland were begun and continued up to the present time. Mr. Morrill pointed out that there a number of differences in detail between the facts related orally by Mr. DeCamp to the Committee and those contained in his letter.

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Mr. Morrill then presented a report dated December 5, 1932, from the Committee on District No. 4, stating that it does not recommend the reappointment as Class C director, and the redesignation as Chairman and Federal Reserve Agent at the Federal Reserve Bank of Cleveland, of Mr. DeCamp at the expiration of his term on December 31, 1932, and that the committee requests the Board's further instructions in the matter.

After a discussion, the Governor was requested to communicate with Mr. L. B. Williams, Deputy Chairman of the board of directors of the Cleveland bank, and to invite him to come to Washington for a meeting with the Board tomorrow, December 6, 1932, at 11 o'clock, for a discussion of the matter.

Reports of Standing Committee dated December 2 and 5, 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>		
Commercial National Bank in Shreveport, La.	600	600
<u>Application for SURRENDER of Stock:</u>		
<u>District No. 4.</u>		
Federal Title & Trust Company, Beaver Falls, Pa. (Insolvent)	165	165

Approved.

Thereupon the meeting adjourned.

Oliver Morrill
Secretary.

Approved:

Augurhey
Governor.