

A meeting of the Federal Reserve Board was held in Washington on Tuesday, December 6, 1932, at 11:20 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. Paulger, Chief, Division of Examinations.

Mr. L. B. Williams, Deputy Chairman of the Federal Reserve Bank of Cleveland, appeared before the Board in response to the Board's invitation of yesterday. He stated that Governor Meyer had discussed with him just before the Board meeting the information which the Board had received regarding Mr. DeCamp's borrowings; that he had not been advised by Mr. DeCamp until a few days ago of the latter's indebtedness to the Guardian Trust Company of Cleveland, and that he felt greatly concerned over the matter. He said that he felt the need for time in which to give the various aspects of the matter further consideration and that there was a question in his mind, because of the present banking conditions in Cleveland, as to the possible results of the termination of Mr. DeCamp's connection with the Federal reserve bank at the expiration of his present term as Class C director on December 31, 1932. Mr. Williams stated that he understood that the other directors of the Cleveland bank, with the exception of Mr. Robert Wardrop, Class A director of the bank and a close personal friend of Mr. DeCamp, have not been informed by Mr. DeCamp of his indebtedness to the Guardian Trust Company. The directors of the Federal reserve bank, Mr. Williams said, have regarded Mr. DeCamp as a man of some ability, and he stated that, so far as he knows, the bankers generally in the Cleveland district

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feel that the Federal reserve bank has been well managed, that the member banks in the district have resorted freely both to the bank and the Federal reserve agent's department for assistance and advice, and that a change at this time might have a disturbing effect upon the banks.

In response to an inquiry, Mr. Williams stated that in his opinion Mr. DeCamp was clearly at fault when he submitted a recommendation to the Federal Reserve Board that no action be taken with regard to the membership of the Guardian Trust Company of Cleveland without disclosing to the Board the fact that he was indebted to that institution. He also stated that, naturally, he was not prepared at this time to suggest a successor to Mr. DeCamp, should the Board decided not to reappoint him.

Reference was then made to the indebtedness to the Guardian Trust Company of Mr. Fancher, Governor of the Federal Reserve Bank of Cleveland, and to the fact that the report of examination of the Union Trust Company of Cleveland, as of March 31, 1931, indicates that on that date Governor Fancher was indebted to that institution in the amount of \$4,000, and that Deputy Governor Zurlinden and former Assistant Cashier Stephenson were also indebted to it in the amounts of \$21,200 and \$12,637, respectively. Mr. Williams stated that he had not known until this morning, when he was advised by Governor Meyer, of the indebtedness of Governor Fancher, Deputy Governor Zurlinden or Mr. Stephenson; that Mr. Stephenson is no longer connected with the bank; and that, so far as he knew, the indebtedness of these officers had not been disclosed to any of the directors of the bank.

After a general discussion, during which Mr. Williams advised the Board that he would be in Washington again in connection with other business on Wednesday of next week, it was agreed that he should consider the matters

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under discussion during the interim, including the possibilities of finding a suitable successor for Mr. DeCamp, and meet again with the Board on next Wednesday or Thursday.

Mr. Williams then reported briefly on the activities of the Banking and Industrial Committee of the Fourth District of which he is chairman, after which he withdrew from the meeting.

During the course of Mr. Williams' discussion with the Board, Mr. Wyatt, General Counsel, came into the Board room.

The Board considered and acted upon the following matters:

Reply to a letter dated November 23, 1932, from the Federal Reserve Agent at Richmond, advising that the First National Bank of Abingdon, Virginia, and the First National Bank of Coeburn, Virginia, have been continuously deficient in their required reserves for a period of six months. The reply stated that, in accordance with the agent's recommendation, the Board will take no action in these matters 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 banks have restored and are maintaining their respective reserve requirements.

Approved.

Letter to the Federal Reserve Agent at San Francisco, approved by five members of the Board on December 5, replying to Assistant Federal Reserve Agent Sargent's letters of November 16 and 17, 1932, reporting that the City National Bank of Huntington Park, California, was continuously deficient in its required reserves during the period from March 16 to October 10, 1932. The reply stated that in view of the information sub-

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mitted, 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. Sargent's letters and inclosures 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 to the Federal Reserve Agent at Chicago, approved by five members of the Board on December 5, 1932, with reference to the analysis of report of examination as of July 11, 1932, of the Pigeon State Bank, Pigeon, Michigan, and to Assistant Federal Reserve Agent Young's letter of November 10, 1932, reporting developments in the bank since the date of the examination. The Board's letter requested, in view of the information submitted, that the agent consider the advisability of discussing with the Commissioner of Banking of the State of Michigan, preferably prior to a proposed visit of a representative of the Federal reserve agent to the member bank, the necessity of financial assistance being given to the bank by the shareholders or directors.

Approved.

Letter to the Federal Reserve Agent at Minneapolis, approved by five members of the Board on December 5, 1932, replying to Mr. Bailey's letter of September 26, 1932, with regard to the improvement effected in the condition of the Park City State Bank, Park City, Montana, since the date of its examination on July 20, 1932. The reply requested certain additional information with regard to a loan in the amount of \$5,000 to one of the directors which is not considered to be adequately secured, and as to the

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improvement effected in the condition of the member bank since its letter of September 20, 1932, to the Superintendent of Banks of the State of Montana.

Approved.

Reply, approved by five members of the Board on December 5, 1932, to a letter dated November 9, 1932, from the Federal Reserve Agent at Dallas, referring to the proceedings instituted to determine whether the membership of the First State Bank of Lorenzo, Texas, should be terminated, and stating that the member bank has fulfilled its promise to restore its reserves and that its required reserve balances have been maintained since October 14, 1932; Mr. Walsh also stating that the bank is still in an extended and generally unsatisfactory condition and that the State examiner has expressed his intention to require a change in management and to examine the bank frequently until its affairs show a satisfactory improvement. The reply stated that in view of the information submitted, and in accordance with the agent's recommendation, the Board has again deferred a decision on the question whether the membership of the First State Bank should be terminated, in order that the institution may have a further opportunity to demonstrate its ability to comply with the provisions of the Federal Reserve Act and the Board's regulations. The reply also requested the agent, upon completion of the next examination of the member bank, to forward to the Board an analysis of the report, together with a recommendation of the board of directors of the Federal reserve bank in the matter; also, that he keep the Board currently advised of any material changes which may take place in the condition of the institution in the interim, and submit a recommendation as to any action which should be taken in the light of such changes.

Approved.

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Letter to the Federal Reserve Agent at Boston, replying to his letter of November 4, 1932, with further regard to the application of the Gloucester National Bank, Gloucester, Massachusetts, for permission to exercise fiduciary powers. The reply stated that the Acting Comptroller has advised that, in his opinion, there is no reason why action on the application should not be deferred until the report of another examination of the bank has been received, and that, accordingly, action has been deferred by the Board. The reply also requested that, upon receipt of the report of examination, the agent furnish the Board with an analysis thereof and his recommendation as to what action, if any, should be taken on the bank's application.

Approved.

Reply to a letter dated December 2, 1932, from Deputy Governor Burgess of the Federal Reserve Bank of New York, advising of the steps taken by the bank under the share-the-work plan which became effective on November 15, 1932. The reply noted that 127 temporary employees have been engaged for a period of six months; that in order to carry on the work of the bank without resorting to increased hours of labor, it will be necessary to engage about 20 additional employees on the same temporary basis; and that the aggregate salary liability on account of these approximately 147 temporary employees may exceed by a few thousand dollars the amount made available for such employments by the 4% deduction during the six months period from the salaries of all officers and employees.

Approved.

Telegraphic reply to a letter dated December 2 and telegram dated December 6, 1932, from the Governor of the Federal Reserve Bank of Atlanta,

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requesting authority for a further continuance for sixty days, without demand for payment, in the amount now outstanding, of the advance made to the Georgia Savings Bank and Trust Company, Atlanta, Georgia, under the authority granted in the Board's telegrams of June 15 and September 9, 1932, in accordance with the provisions of section 10(b) of the Federal Reserve Act, as amended, with interest at the rate of 5 1/2% per annum, and payable on demand, with interest payable monthly; Governor Black stating that the same situation exists at the present time as at the time of the last renewal. The reply stated that the Board interposes no objection to the further continuance of the advance subject to the terms and conditions recommended, and that in the event the advance is not repaid nor demand for payment made within sixty days from December 12, 1932, the matter should again be brought to the Board's attention with a statement of the circumstances which, in the opinion of the Federal Reserve Bank of Atlanta, justify the further continuance of the advance without demand for payment.

Unanimously approved.

Governor Meyer then referred to the request made of him by Senator Glass at the hearings before the Banking and Currency Committee of the Senate on March 29, 1932, on Senate bill 4115, that he suggest a constitutional method of bringing about the establishment of a unified system of banking under national supervision. He stated that, in accordance with that request, Mr. Wyatt, General Counsel, has submitted, under date of December 5, 1932, an opinion on the constitutionality of legislation providing a unified commercial banking system for the United States, and he presented, for the consideration of the Board, drafts of letters to the chairman of the Senate Banking and Currency Committee and to Senator Glass, transmitting copies of

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the opinion.

During the ensuing discussion, certain amendments to the proposed letters were suggested, and Mr. Hamlin stated that before the letters are transmitted, he desired an opportunity to review certain parts of counsel's opinion.

Thereupon the meeting recessed and reconvened at 3:50 p. m. with the same attendance as at the morning session except that Mr. Paulger was not present.

There were presented drafts of letters to the chairman of the Senate Banking and Currency Committee and Senator Glass, amended in accordance with the suggestions made at the morning session; the letter to the chairman of the Banking and Currency Committee stating that, if desired, additional copies of the opinion submitted by Counsel will be forwarded for the information of the other members of the committee.

After a brief discussion, the amended letters were approved.

Mr. Hamlin stated that, while he approved the letters above referred to, he may wish to advise Senator Glass in a personal letter that, in view of counsel's opinion, it is also apparently within the power of Congress to require that all State banks shall become members of the Federal Reserve System.

The Governor then stated that Mr. L. B. Williams, Deputy Chairman of the Federal Reserve Bank of Cleveland, had called at his office just prior to this session and had discussed further the question of the reappointment of Mr. DeCamp as a Class C director and chairman and Federal reserve agent at the Federal Reserve Bank of Cleveland. Governor Meyer stated that Mr. Williams feels it will require some time for him to reach a conclusion on the matter, and that he had advised Mr. Williams that, while the Board is

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of the opinion that it should reach a decision as soon as possible, it desires that he take the time necessary to enable him to submit a carefully considered recommendation.

Thereupon the meeting adjourned.

Oliver Merrill
Secretary.

Approved:

Ernest C. ...
Governor.