

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Monday, December 12, 1932, at 11:10 a. m.

PRESENT: Governor Meyer
Mr. Miller
Mr. James
Mr. Magee

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor
Mr. Wyatt, General Counsel.

The Board considered and acted upon the following matters:

Telegram dated December 9, 1932, from the Secretary of the Federal Reserve Bank of Atlanta, advising 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.

Telegraphic reply, approved by five members of the Board on December 9, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for a further renewal, in the reduced amount of \$250,000, for a period of sixty days from December 12, 1932, with interest at the rate of 5 1/2% per annum, of the advance made by the Federal Reserve Bank of New York to the Lincoln National Bank, Newark, New Jersey, in accordance with the provisions of section 10(b) of the Federal Reserve Act and under the authority of the Board's telegrams of June 13 and September 9, 1932; Deputy Governor Rounds stating that conditions do not warrant complete liquidation of the loan at this time. The reply stated that the Board authorizes the renewal of the advance subject to the terms and conditions recommended.

Approved.

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Telegraphic reply, approved by five members of the Board on December 9, 1932, to a telegram of that date from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for a further renewal, in the amount of \$1,200,000, for a period of sixty days, with interest at the rate of 5 1/2% per annum, of the advance made to the Franklin Washington Trust Company, Newark, New Jersey, in accordance with the provisions of section 10(b) of the Federal Reserve Act; Deputy Governor Rounds stating that the advance made to the bank under the authority of the Board's telegrams of June 15 and 24 and September 7, 1932, has been reduced to \$1,002,995, but that the bank requests an increase of the advance to \$1,200,000 because of possible demands resulting from the issue of Christmas club checks to depositors. The reply authorized the renewal in the reduced amount of approximately \$1,000,000, now outstanding, for a period of sixty days from December 12, 1932, with interest at the rate of 5 1/2% per annum, of the advance made under the authority previously granted by the Board, and stated that the Board authorizes additional advances to the bank in accordance with the provisions of section 10(b) of the Federal Reserve Act, in an amount not exceeding \$200,000, at a rate of 5 1/2% per annum, and to mature not later than sixty days from December 12, 1932.

Approved.

Telegraphic reply, approved by five members of the Board today, to a letter dated December 8, 1932, from the Governor of the Federal Reserve Bank of Atlanta, requesting authority for the further continuance without demand for payment, in the reduced amount of \$304,009.85, at the rate of 5 1/2% per annum, payable on demand with interest payable monthly, of the advance made to the American Bank and Trust Company, New Orleans, Louisiana, in accordance

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with the provisions of section 10(b) of the Federal Reserve Act, and under authority of the Board's telegrams of June 17 and October 8, 1932; Governor Black stating that the reasons for the continuance are the same as when the advance was originally made. The reply stated that the Board authorizes the continuance of the advance without demand for payment, 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 14, 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 bank in further continuing the advance without demand for payment.

Approved.

Telegraphic reply, approved by three members of the Board on December 9, 1932, to a telegram of that date from Assistant Federal Reserve Agent Dillistin at New York, stating that the First National Bank, High Bridge, New Jersey, intends to reopen for business, and requesting authority to reissue to the bank 42 shares of the capital stock of the Federal Reserve Bank of New York. The reply stated that the Board approves the issue of 42 shares of the stock of the Federal reserve bank to the First National Bank if and when the Comptroller of the Currency authorizes the bank to reopen with a capital of \$50,000 and surplus of \$20,000.

Approved.

Letter to the Federal Reserve Agent at New York, approved by five members of the Board on December 9, 1932, with further reference to the absorption, as of December 19, 1931, by the Linden Trust Company, Linden, New Jersey, a member, of the Linden National Bank. The letter stated that

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the Board has reviewed the report of examination of the Linden Trust Company as of July 25, 1932, and that inasmuch as it appears that the transaction has not resulted in any material change in the general character of the assets of, or in the scope of the functions exercised by, the member trust company within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System, the Board, in accordance with the agent's recommendation, will interpose no objection to the transaction. The letter also called attention to the undercapitalized condition of the trust company and suggested that the agent discuss with the management the possibility of effecting an increase in capital; also, that the agent give the Board an expression of his views in this connection and current advice of any material changes in the condition of the institution.

Approved.

Letter to the Federal Reserve Agent at Philadelphia, approved by four members of the Board on December 10, 1932, with further reference to the absorption as of July 5, 1932, by the Schuylkill Haven Trust Company, Schuylkill Haven, Pennsylvania, a member, jointly with the First National Bank and Trust Company of Schuylkill Haven, of the State Bank of Schuylkill Haven. The letter stated that the Board has reviewed the report of the credit investigation of the Schuylkill Haven Trust Company as of August 13, 1932, and as it is apparent that the transaction has resulted in no material change in the general character of the assets of, or in the scope of the functions exercised by, the member trust company within the meaning of the general condition under which it was admitted to membership, the Federal Reserve Board, in accordance with the agent's recommendation, will interpose no objection to the absorption.

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Approved.

Letter to the Federal Reserve Agent at Richmond, referring to the analysis of report of examination of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina, and to the payment of unearned dividends by the bank in 1931 and 1932, and suggesting that the agent discuss with the State Banking Department of North Carolina the question whether, in the circumstances confronting the bank, it would not be advisable for it to conserve all of its resources. The letter also requested that the agent furnish to the Board additional information with regard to certain matters referred to in the analysis of report of examination.

Approved.

Letter to the Federal Reserve Agent at Atlanta, referring to the analysis of report of examination as of May 21, 1932, of the Hibernia Bank and Trust Company, New Orleans, Louisiana, and to the agent's letter of August 5, 1932, recommending, with the concurrence of the Governor of the Federal reserve bank, that no action be taken affecting the membership of the bank in the Federal Reserve System, but that the matter be left to the joint efforts of the Federal reserve agent and Governor in aiding the bank to better its condition. The Board's letter requested additional advice as to certain matters referred to in the analysis of report of examination and suggested that the agent consider the advisability of discussing with the State Bank Commissioner of Louisiana the question of further payment of dividends by the trust company in the light of the banking situation in New Orleans.

Approved.

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Letter to the Acting Comptroller of the Currency, approved by four members of the Board on December 10, 1932, stating that, in accordance with the recommendation contained in his memorandum of December 8, 1932, the Federal Reserve Board has approved the application of the First National Bank of Parkers Landing, Pennsylvania, for permission to reduce its capital stock from \$50,000 to \$25,000 subject to certain conditions set forth in the letter.

Approved.

Letter to the Federal Reserve Agent at St. Louis, with regard to the continuous reserve deficiencies of the First National Bank, Winslow, Indiana, and letters, approved by five members of the Board on December 9, 1932, to the Federal Reserve Agents at St. Louis, Dallas and San Francisco, with regard to the continuous reserve deficiencies of the Citizens National Bank, Glasgow, Kentucky, the National Bank of Commerce, Hugo, Oklahoma, and the Stockgrowers and Farmers National Bank, Wallowa, Oregon; the letters stating in each case that, in view of the agent's recommendation, the Board will take no action with regard to the reserve deficiencies 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.

Approved.

Letter to Mr. W. G. Penn, Vice President of the Grundy County National Bank, Morris, Illinois, inclosing a certificate showing that the bank is no longer authorized to exercise any of the fiduciary powers enumerated in section 11(k) of the Federal Reserve Act; the letter also stating that the certificate has been issued by the Board on the understanding that the national bank has been discharged or otherwise properly relieved in accordance with law of all of its duties as fiduciary.

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Approved.

Telegraphic reply, approved by four members of the Board on December 10, 1932, to a telegram dated December 8, 1932, from the Governor of the Federal Reserve Bank of Kansas City, stating that the regional agricultural credit corporations at Wichita and Omaha have inquired whether the Federal Reserve Bank of Kansas City will discount eligible paper for the corporations, and requesting that the Board advise whether the Federal reserve bank should rediscount such paper upon the same terms and conditions as it has handled paper for Federal intermediate credit banks. The reply stated that since the law also provides that eligible paper of regional agricultural corporations may be discounted with Federal intermediate credit banks, it is understood that the Federal Farm Loan Board has the matter under consideration; that since the questions involved in arrangements for the rediscounting of such paper by either Federal intermediate credit banks or Federal reserve banks may affect all credit corporations and branches, the Washington offices of the Reconstruction Finance Corporation are giving consideration to the entire matter of general policy; and that when advice is received as to the corporation's conclusions, the Board will communicate with Governor Hamilton further.

Approved.

The Secretary then presented a letter dated December 10, 1932, from the Chairman of the Federal Reserve Bank of Cleveland, requesting approval by the Board of a share-the-work plan approved by the board of directors of the bank at its meeting on December 9, 1932, which would provide for certain specified deductions from the salaries of all officers and employees at the main office and branches for a period of six months beginning December 15,

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1932; for the employment of from 40 to 45 temporary employees during the six months period; and for a reduction in the working time of the present employees of the bank of one day per month and perhaps more in certain departments as the plan is developed.

After a brief discussion, it was decided to interpose no objection to the plan as submitted and to approve the salary payments involved in the employment of additional people in accordance with the plan.

The Secretary stated that Mr. Hamlin had advised him, in connection with the plans submitted by the Federal Reserve Banks of New York and Philadelphia, that he is opposed to share-the-work plans involving deductions from the salaries of employees, and that if Mr. Hamlin were present he would undoubtedly request that he be recorded as voting "no" in connection with the above action.

Reference was then made to the action taken by the Governors and Federal Reserve Agents at their conferences on November 16, 1932, and by the Federal Advisory Council at its meeting on November 17, 1932, in suggesting that the Board recommend to Congress that the provisions of sections 2 and 3 of the Glass-Steagall Act be extended for at least one year.

After a brief discussion it was decided to make this matter a special order of business for consideration at a meeting of the Board to be held on Wednesday, December 14, 1932.

Mr. Miller then referred to a memorandum submitted by the Chairman of the Committee on Branch, Group and Chain Banking under date of December 9, 1932, outlining the status of the detailed reports being prepared by the Committee and stating that it is expected that the reports will be entirely completed by the end of March, that the expenses of the Committee to date have amounted to \$142,453 and that the estimated additional expense will be

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approximately \$8,500. Mr. Miller stated that in his opinion the expenditure by the Federal reserve banks of additional money for this purpose is not justified and he moved that the Committee be discharged as of January 1, 1933.

After brief discussion, Mr. Miller's motion was laid on the table.

The Governor then stated that advice had been received by the Federal Reserve Bank of New York from the Bank of England that it had been instructed by the British Government to hold in New York at the disposal of the American Government, on Thursday, December 15, 1932, gold to the value of \$95,550,000; that it will take about five or six weeks to ship that amount of gold; and that the Bank of England had requested that the Federal Reserve Bank of New York place at the disposal of the Bank of England in New York as of December 15, 1932, gold to the amount of \$95,550,000 against an equivalent amount of gold to be earmarked by the Bank of England in London for the account of the New York bank, it being understood that the Bank of England will start shipments at its own cost and risk of such earmarked gold to New York commencing December 14, such shipments to be completed not later than the end of January, and that the Bank of England will obtain from the British Government an undertaking not to put any obstacles in the way of exporting the earmarked gold. Governor Meyer stated that he had discussed this matter with the Governor of the Federal Reserve Bank of New York over the telephone and that the latter had stated that, if it meets with the approval of the Federal Reserve Board, the New York bank will advise the Bank of England that it will undertake the transaction, and that the New York bank would write the Board regarding the matter.

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After discussion, the Governor was requested to advise the Governor of the Federal Reserve Bank of New York that the Board interposes no objection to the proposed transaction. Secretary's Note: Immediately following the meeting Governor Meyer advised Governor Harrison by telephone of the Board's action, and Governor Harrison stated that it was understood from telephone conversations with the Bank of England that the plan was based on instructions received by that bank from its Government to make only provisional arrangements.

Thereupon the meeting adjourned.

A. Peter Novice

Secretary.

Approved:

E. C. Berkey
Governor.