

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, December 30, 1932, at 11:45 a. m.

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

Mr. Morrill, Secretary  
Mr. McClelland, Assistant Secretary  
Mr. Harrison, Assistant to the Governor  
Mr. Paulger, Chief, Division of Examinations  
Mr. Wyatt, General Counsel  
Mr. Wingfield, Assistant Counsel.

The Committee considered and acted upon the following matters:

Telegram dated December 28, 1932, from the Chairman of the Federal Reserve Bank of Boston and letter dated December 29, 1932, from the Secretary of the Federal Reserve Bank of New York, both 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.

Telegraphic reply, approved by five members of the Board on December 27, 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 sixty days from December 28, 1932, with interest at the rate of 5 1/2% per annum, of the advance in the amount of \$50,000 made by the New York bank in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Salt Springs National Bank, Syracuse, New York, under the authority granted in the Board's telegram of September 29, 1932; Deputy Governor Rounds stating that the bank is still suffering a seepage of deposits and is not in a position to repay the loan at maturity. The reply stated that the Board authorizes the renewal of the advance subject to the

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terms and conditions recommended.

Approved.

Telegraphic reply, approved by five members of the Board on December 28, to a telegram dated December 27, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an additional advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Lincoln National Bank, Newark, New Jersey, in the amount of \$100,000, for a period of sixty days, with interest at the rate of 5 1/2% per annum, and on the security of building and loan association notes and other ineligible unsecured paper with a margin of at least 25%; Deputy Governor Rounds advising that the bank desires the advance to meet withdrawals of deposits. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Telegraphic reply, approved by five members of the Board on December 29, to a telegram dated December 28, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Haledon National Bank, Haledon, New Jersey, in the amount of \$25,000, for a period of sixty days, with interest at the rate of 5 1/2% per annum, and on the security of miscellaneous domestic bonds with a margin of at least 25%; Deputy Governor Rounds stating that the bank is steadily losing deposits and desires this advance to meet the anticipated withdrawal of a \$26,000 deposit. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

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Telegraphic reply to a telegram dated December 30, 1932, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for an advance in accordance with the provisions of section 10(b) of the Federal Reserve Act to the Citizens National Bank, New Brunswick, New Jersey, in the amount of \$25,000, for a period of forty-five days, with interest at the rate of 5 1/2% per annum, and collateralized by unsecured notes and customers' collateral notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank desires the advance to meet the withdrawal of a large municipal deposit. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Approved.

Reply to a letter dated December 22, 1932, from Deputy Governor Gilbert of the Federal Reserve Bank of New York stating that pending the selection of a successor to Dr. Harold R. Moon who left the employ of the bank on November 30, 1932, Dr. Walden E. Muns has consented, at the request of the bank, to be on duty at the bank three hours a day for six days a week, which is twice the number of hours of his regular attendance, and that, subject to the approval of the Board, it is proposed to pay Dr. Muns from December 13, 1932, at the rate of \$4,377.60 per annum. The reply stated that the Board approves the payment of salary to Dr. Muns at the rate stated, it being understood that upon the appointment of another physician to succeed Dr. Moon, the compensation of Dr. Muns will again be fixed at the rate received by him prior to December 13.

Approved.

Reply to telegrams dated December 28 and 29, 1932, from the Chair-



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man of the Federal Reserve Bank of Dallas advising of the approval by the board of directors of the bank of a share-the-work plan which would provide for a reduction, during the six months period beginning January 1, 1933, equivalent to one-half day per week, in the working time of each employee of the head office and branches; for a deduction of 5% from the salaries paid the present officers and employees of the head office and branches during the six months period; and for the employment, on a temporary basis, of such new employees as the officers may deem necessary to put the plan into effect and to carry on the work of the bank without loss of efficiency in operation. The reply stated that, on the assumption that the proposed aggregate deductions from the salaries of the present officers and employees would be sufficient to cover the salaries of the temporary employees and that the adoption of the plan would result in no increased cost to the bank, the Board interposes no objection to the plan as adopted, and approves the salary payments involved in the employment during the six months period of additional people in accordance with the plan. The reply also noted that it is the opinion of the directors of the bank that no further reduction should be made in salaries of officers and employees at the present time, it being understood that prior to the expiration of the six months period beginning January 1, 1933, the directors will consider the extension of the share-the-work plan on the same or a different basis and will discuss further the matter of adjustment or reduction in salaries.

Approved.

Mr. Hamlin stated that while he approved the above letter as expressing properly the attitude of the Board, he is opposed, for reasons previously stated, to the adoption of the share-the-work plan as submitted by the Federal Reserve Bank of Dallas.

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Letter to the Chairman of the Federal Reserve Bank of Kansas City, approved by five members of the Board on December 28, 1932, with regard to his letter of December 23, 1932, reporting that a resolution was adopted at a meeting of the board of directors of the bank on December 22, providing for the adjustment of all salaries on the basis of a minimum of 5% and a maximum of 20% reduction, to be worked out in an equitable way by the salary committee which was instructed to report at the next meeting of the board of directors. The Board's letter stated that upon receipt of a statement of the proposed adjustments to be made in the salaries of individual officers and of employees occupying appraised positions, and advice as to the proposed method of adjusting the salaries of employees coming under the salary classification plan, the Federal Reserve Board will give careful consideration thereto. The letter also noted that at the same meeting of the directors a resolution was adopted expressing sympathy with the purposes involved in the share-the-work plan but that the directors were not in favor of the adoption of such a plan by the bank at the present time beyond the retention of present worthy employees.

Approved.

Telegraphic reply, approved by five members of the Board on December 27, to a letter dated December 24, 1932, from the Federal Reserve Agent at Richmond recommending, for the reasons stated in the letter, that the Board grant an extension of ten days in the time in which the Farmers Bank of Clinch Valley, Tazewell, Virginia, may be admitted to membership in the Federal Reserve System. The reply stated that the Board grants to the bank the extension requested.

Approved.

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Reply to a letter dated December 19, 1932, from the Federal Reserve Agent at Cleveland with regard to the continuously deficient reserves for a period of six months of the First National Bank, Indiana, Pennsylvania; the reply stating that, in view of the information submitted, the Board will take no action in the matter at this time other than to forward copies of the agent's letter and inclosure to the Acting Comptroller of the Currency for the information of his office.

Approved.

Letter to the Federal Reserve Agent at Boston, approved by four members of the Board on December 27, 1932, suggesting that, in view of the condition of the Manchester Trust Company, South Manchester, Connecticut, as disclosed by the analysis of report of examination as of August 22, 1932, the agent discuss with the Bank Commissioner of the State of Connecticut the question whether the trust company is justified in paying further dividends, and that he advise the Board of the action taken with respect to the matter. The letter also requested advice as to the steps which are being taken to correct other criticized matters referred to in the analysis.

Approved.

Letter to the Federal Reserve Agent at Chicago, approved by four members of the Board on December 27, 1932, referring to the indebtedness of the officers and directors of the Bank of Kalamazoo, Michigan, to that institution, which, at the time of the examination of the bank on June 13, 1932, amounted to \$1,133,000. The letter requested that the agent approach the Commissioner of Banking of the State of Michigan with a view to obtaining a substantial reduction in this indebtedness, advising the Board what



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results are accomplished. The letter also stated that in view of the condition of the bank further financial assistance from the directors or the Kalamazoo Bancshares, Incorporated, which institution owns the member bank, would be helpful, and that it is presumed the agent will give due consideration to the prospects of obtaining such assistance. The letter also requested that the agent continue to keep the Board currently advised of other developments in the condition of the bank and that he advise whether the Kalamazoo Bancshares, Incorporated, which is in an unsatisfactory condition, has an interest in any other bank, and if so, the extent of its holdings and the condition of the banks involved.

Approved.

Letter to the Federal Reserve Agent at Cleveland, approved by five members of the Board on December 29, replying to Assistant Federal Reserve Agent Fletcher's letter of November 23, and the agent's letter of December 7, 1932, with regard to the service of Messrs. H. S. Reynolds, George R. Ford, Gordon N. Mather, G. P. MacNichol, Jr., and Rathburn Fuller as directors of the First National Bank of Toledo and the Toledo Trust Company, under permits previously granted by the Board to serve the national bank and the Summit Trust Company, which consolidated after the issuance of the permits with the Toledo Savings and Trust Company to form the Toledo Trust Company. The reply stated that it would appear from the information presented that the issuance to the directors referred to of new permits to serve the national bank and the Toledo Trust Company is not necessary. The reply also stated that in view of the condition of the First National Bank, the generally unsettled banking conditions in Toledo, and the agent's recommendation, the Board will defer action for the present on the question

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whether the existing permits should be revoked, but that, in view of the opportunity presented for a stifling of competition and a restriction of credit, the Board is disposed to require the severance of these interlocking relationships as soon as it can be done without peril to the institutions or general conditions in Toledo, and that the agent is requested to communicate the Board's position to the president of the trust company with the request that the matter be considered carefully with a view to making such readjustment as can be safely made as soon as practicable without endangering the situation. The reply made the further request that the agent submit another recommendation to the Board as soon as there is any material change in the situation.

Approved.

Letter to Senator Clarence C. Dill, approved by four members of the Board on December 27, 1932, concerning an inquiry addressed to him by Mr. Charles W. Greenough, prosecuting attorney of Spokane County, Washington, with regard to the rediscount by Federal reserve banks of municipal warrants which do not have a definite maturity date. The Board's letter stated that, as Federal reserve banks are without authority under the law to rediscount municipal warrants, it is assumed Mr. Greenough has reference to the purchase of such warrants by reserve banks; that the law authorizes Federal reserve banks, under certain conditions, to purchase municipal warrants when they have a maturity from date of purchase of not exceeding six months; and that inasmuch as the warrants mentioned in Mr. Greenough's letter have no definite maturity date they do not meet the requirements of the law in this respect and, therefore, are not eligible for purchase by Federal reserve banks.



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The letter also stated that municipal warrants which are purchased by Federal reserve banks cannot be used as collateral for the issuance of Federal reserve notes, and the question whether, and to what extent, a Federal reserve bank should purchase eligible warrants, in view of its other responsibilities, is one primarily for the exercise of the discretion of the board of directors of the bank.

Approved.

Reply, approved by five members of the Board on December 29, to a letter dated December 9, 1932, from Congressman Clay Stone Briggs requesting an expression of the views of the Federal Reserve Board regarding a proposal addressed to him that the law be amended so that the paper of automobile finance companies may be eligible for rediscount at Federal reserve banks. The reply stated that the general principles involved in the determination of the eligibility of the paper of automobile finance companies are also applicable to the notes of factors, commission merchants, warehousemen, and others similarly situated who make advances to their customers; that it would seem that, if the notes of finance and credit companies should be made eligible, similar treatment should be afforded to all paper of the same general character; and that in view of these and other important aspects of the matter, the Federal Reserve Board does not feel prepared at this time to approve the proposal to amend the law in this respect.

Approved.

Letter to the Federal reserve agents at all Federal reserve banks, approved by three members of the Board on December 28, 1932, requesting that the agents send to the Board, as early in January as possible, lists of the State member banks in their respective districts which were not examined

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either by State authorities or Federal reserve examiners during 1932, and that the agents advise what arrangements are being made by them or the State authorities for early examination of the banks listed.

Approved.

Memorandum dated December 27, 1932, from Governor Meyer stating that, following the meeting on that date, he advised the Governor of the Federal Reserve Bank of Chicago over the telephone that while the Federal Reserve Board is disposed to approve the salary at the rate of \$18,000 per annum, proposed by the board of directors of the Chicago bank for Mr. George. J. Schaller of Storm Lake, Iowa, whose appointment as deputy governor of the bank is under consideration, the question of Mr. Schaller's ownership of the stock of the Citizens First National Bank of Storm Lake is one which should be considered carefully by the Board and the Federal Reserve Bank of Chicago; and that Governor McDougal stated that he had assumed that matter would be taken care of, but that he would look into it and report to the Board later. Governor Meyer stated that in a subsequent telephone conversation with Governor McDougal, the latter advised that, if Mr. Schaller is elected deputy governor, he will sever his connection with the national bank and dispose of his stock holdings before entering upon his duties.

Governor Meyer then stated that Mr. L. B. Williams, Deputy Chairman of the Federal Reserve Bank of Cleveland, was in Washington yesterday and had advised him that Mr. DeCamp, Chairman of the Federal Reserve Bank of Cleveland, had been informed of the approval of the procedure proposed by Mr. Williams at the meeting of the Executive Committee of the Board on December 20, and that Mr. DeCamp had agreed to do anything suggested by Mr. Williams in accordance with that procedure, and to submit his resignation

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as class C director of the Cleveland bank and as Chairman and Federal reserve agent shortly after the first of the year, the resignation to take effect at the pleasure of the Board.

Accordingly, Mr. DeCamp was reappointed as a class C director of the Federal Reserve Bank of Cleveland for a term of three years beginning January 1, 1933, and designated as Chairman of the board of directors and Federal reserve agent for the coming year.

The reappointment of Messrs. W. H. Fletcher and J. B. Anderson as Assistant Federal Reserve Agents at the bank for 1933, and the temporary reappointment of Messrs. W. H. Nolte and R. G. Johnson as Acting Assistant Federal Reserve Agents at the Pittsburgh and Cincinnati branches, respectively, also were approved.

There was then presented an application for membership in the Federal Reserve System filed by the Summit Trust Company, Summit, New Jersey, and forwarded to the Board under date of December 15, 1932, with a recommendation of the board of directors of the Federal Reserve Bank of New York that the application be approved subject to the usual conditions of membership.

In the discussion which followed, it was pointed out that the applicant, which appears to be in good condition, owns 1,117 out of 2,000 shares, or approximately 60%, of the stock of the Summit Title and Mortgage Guaranty Company, also apparently in good condition, the principal business of which is the issuance of bonds against the security of mortgages purchased from the trust company and deposited with the trust company, as trustee; and that it would appear that the trust company is thus indirectly engaged in the business of issuing mortgage participations. Therefore, the suggestion was made that the trust company should be required, prior to admission to membership, to dispose of the stock of the title company and to agree that,



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except with the approval of the Federal Reserve Board, it would make no further investment of its funds in the stock of any such affiliated or subsidiary company; or, as an alternative, to require it to agree to dispose of the stock of the title company within a stated period and to make no further investments of its funds in the stock of any such affiliated or subsidiary company.

Attention was also called to the fact that the applicant has an investment of approximately \$120,000 in various corporate stocks, and the question was raised whether the usual condition of membership with respect to the purchase without the permission of the Board of bank stocks should be broadened to cover the purchase of any stocks.

The opinion was expressed and concurred in by a majority of the members present that the Federal Reserve Board should not admit to membership a State bank or trust company which, either directly or indirectly, engages in the business of buying and selling mortgage loans or of selling participations therein or bonds secured thereby, commonly known as a mortgage loan business and that, therefore, if the application were approved the trust company should be required to dispose of the stock of the title company prior to admission to membership, which, under the present procedure of the Board of allowing thirty days in which to complete arrangements for membership, would have to be accomplished in that period unless an extension were granted by the Board. The view was also expressed by some of the members of the Board that the conditions of membership prohibiting the acquisition of bank stocks without the permission of the Board should be extended to include all stocks.

At the request of the Committee, the Secretary left the meeting and

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discussed the matter over the telephone with the Federal Reserve Agent at New York. Upon his return he reported that Mr. Case had expressed agreement with the general policy of the Board's position and stated that he had previously discussed the matter of the possible disposition of the stock of the Summit Title and Mortgage Guaranty Company with the president of the trust company, who had indicated that while it would not be practicable to do so immediately, it might be possible to effect such a disposition within a year. The Federal reserve agent also stated that he would discuss this matter further with the president of the trust company and advise the Board. Mr. Morrill was later called from the meeting for a further conversation with Mr. Case and upon his return stated that the president of the trust company, in view of the attitude of the Board, had requested that the Board take no action on the application for membership and that the company be given an opportunity to withdraw the application without further action by the Board.

Accordingly, no action was taken upon the application.

Reports of Standing Committee dated December 21 and 29, 1932, recommending approval of the following changes in stock at Federal reserve banks:

<u>Application for ADDITIONAL Stock:</u>	<u>Shares</u>
<u>District No. 12.</u>	
Walker Bank & Trust Company, Salt Lake City, Utah.	9
(Increase in surplus)	
 <u>Applications for SURRENDER of Stock:</u>	
<u>District No. 3.</u>	
Lehigh Valley National Bank, Bethlehem, Penna.	
(V.L.Abs. by First National Bank & Trust Co.)	480
 <u>District No. 6.</u>	
Ensley National Bank, Birmingham, (Ensley) Ala.	
(V.L.Abs. by Ensley Bank & Trust Company, nonmember)	150

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>		<u>Shares</u>	
<u>District No. 6. (Cont'd)</u>			
First National Bank, Lincoln, Ala. (Insolvent)		15	
First National Bank, Bristol, Tenn. (V.L.Suc. by First National Bank in Bristol.)		285	
First National Bank, Millen, Georgia. (Decrease in surplus)		<u>3</u>	453
<u>District No. 11.</u>			
Junction State Bank, Junction, Texas. (Insolvent)		60	
First State Bank, Rochester, Texas. (Insolvent)		<u>20</u>	80
<u>District No. 12.</u>			
National Bank of Commerce, Los Angeles, California. (V.L.Terminal)		333	
Reno National Bank, Reno, Nevada. (Insolvent)		<u>516</u>	849
		<u>Total</u>	<u>1,862</u>

Approved.

Report of Standing Committee dated December 23, 1932, recommending approval of the following Clayton Act application:

Mr. H. R. Wilkin, for permission to serve at the same time as director of the City National Bank and Trust Company of Battle Creek, Michigan, and as director of the First National Bank and Trust Company of Kalamazoo, Michigan.

Approved.

Thereupon the meeting adjourned.

Robert M. Miller  
Secretary.

Approved:

Cyrene H. Hays  
Governor.