A meeting of the Federal Reserve Board was held in Washington on Wednesday, January 4, 1933, at 4:25 p.m.

PRESENT: The Chairman
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 meetings of the Federal Reserve Board held on December 8, 9, 14 and 15, 1932, were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on December 12 and 19, 1932, were approved and the actions recorded therein were ratified unanimously.

The Assistant Secretary called attention to the fact that in accordance with the regular order of rotation, Messrs. Hamlin and Miller will serve with Governor Meyer as members of the executive committee of the Board during the first quarter of 1933.

The Assistant Secretary also reported that the Comptroller of the Currency on January 4, 1933, issued a call on all national banks for reports of condition as at the close of business on December 31, 1932, and that, in accordance with the usual practice, a call was issued by the Secretary on behalf of the Federal Reserve Board on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was ratified.

The Board then considered and acted upon the following matters:

Telegrams dated January 4, 1933, from the Chairmen of the Federal
Reserve Banks of Philadelphia and St. Louis advising that at meetings of
the boards of directors today no changes were made in the banks' existing
schedules of rates of discount and purchase.

Without objection, noted with approval.

Report of the Committee on Salaries and Expenditures on a letter
dated December 22, 1932, from Deputy Governor Gilbart of the Federal Reserve
Bank of New York requesting authority for changes in the personnel classi-
fication plan of the bank to provide for the new positions of "statistical
draftsman" in the Foreign Department and "page and office boy" in the
Reconstruction Finance Corporation section of the Government bond and safe-
keeping department; the Board's committee recommending approval.

Approved.

Telegraphic reply to a letter dated December 30, 1932, from the
Federal Reserve Agent at Dallas with which he inclosed a letter dated
December 29, 1932, from the Governor of the bank referring to the difficulty
frequently experienced in the recent past in providing collateral to cover
the Federal reserve notes issued by the bank, and to the expense involved
in special trips of assistant Federal reserve agents to the branches to
retire notes in excess of operating needs and in the shipment of notes to
the head office for retirement; Mr. Walsh requesting, that in order to meet
this situation, the Board approve the appointment of Messrs. G. M. Allen,
D. S. Lawhon, and C. P. Gowland, who at the present time are serving as
branch auditors at the El Paso, Houston and San Antonio branches, respective-
ly, as acting assistant Federal reserve agents at those branches. The reply
stated that, in view of the requirement of section 16 of the Federal Reserve
Act that Federal reserve notes, gold, gold certificates, and lawful money, issued to or deposited with the Federal reserve agent be held for such agent in the joint custody of himself and the Federal reserve bank, the Board feels that the representative of the Federal reserve agent participating in such joint custody should be responsible to the agent and should be independent of the bank in so far as consistent with the practical situation; and that, therefore, the Board approves the temporary appointment of Messrs. Allen, Lawhon and Gowland as acting assistant Federal reserve agents at the El Paso, Houston and San Antonio branches, respectively, upon condition, however, that, before the temporary appointments become effective, they resign their respective positions as branch auditors with the understanding that, during such periods as they are not engaged with their duties as acting assistant Federal reserve agents, they may be detailed by the agent to perform such functions in the auditing department of the bank as the agent may consider advisable.

Approved.

Thereupon a discussion ensued at the conclusion of which the Secretary was directed to request Mr. Paulger, the Chief of the Division of Examinations, to make a study of the functions of assistant Federal reserve agents at branches of the Federal reserve banks, including the procedure followed in connection with the issuance and retirement of Federal reserve notes, the handling of collateral therefor, and any other duties performed by them, and to submit a report to the Board together with any recommendations that he may deem appropriate.

Telegraphic reply, approved by five members of the Board on December 30, 1932, to a telegram of that date 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 as amended, to the National Bank of Newport, New York, in the amount of $15,000, for a period of 45 days, with interest at the rate of 5 1/2% per annum, and on the security of miscellaneous bonds and unsecured notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank, which is located in a farming and dairying community, has been under pressure for a considerable period, and will have to close unless further assistance is given at once, also that it is proposed to make this advance in cooperation with neighboring banks which will make a loan to the member bank of $25,000. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply, approved by five members of the Board on January 3, 1933, to a telegram of that date 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 as amended, to the Larchmont National Bank and Trust Company, Larchmont, New York, in the amount of $100,000, for a period of 45 days, with interest at the rate of 5% per annum, and on the security of customers' collateral notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank has been subject to a steady loss of deposits and requests this loan to meet a large withdrawal of municipal funds. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.
Telegraphic reply to a telegram dated January 4, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York requesting authority for a further advance in accordance with the provisions of section 10(b) of the Federal Reserve Act as amended, to the First National Bank in Mamaroneck, New York, in the amount of $16,000, for a period of 45 days, with interest at the rate of 5% per annum, and on the security of miscellaneous unsecured ineligible notes with a margin of at least 25%; Deputy Governor Rounds stating that the bank has been subject to a further loss of deposits and needs this additional advance to meet withdrawals. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended. 

Unanimously approved.

Telegraphic reply to a telegram dated January 4, 1933, 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 as amended, to the First National Bank in Avon-by-the-Sea, New Jersey, in the amount of $12,000, for a period of 45 days, with interest at the rate of 5% per annum, and on the security of customers' collateral notes secured by miscellaneous securities, building and loan shares, and mortgages with a margin of at least 25%; Deputy Governor Rounds stating that the loan is desired 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.

Unanimously approved.

Telegram to the Governor of the Federal Reserve Bank of Atlanta, approved by five members of the Board on January 3, 1933, referring to a...
telephone conversation with the Secretary of the Board and stating that the Board authorizes the Atlanta bank to make an additional advance to the Georgia Savings Bank and Trust Company, Atlanta, Georgia, in accordance with the provisions of section 10(b) of the Federal Reserve Act as amended, in the amount of $50,000, with interest at the rate of 5% per annum, and payable on demand with interest payable monthly. The telegram also stated that in the event the advance is not repaid nor demand for payment made by February 10, 1933, the matter should again be brought to the Board's attention with a statement of the circumstances which, in the opinion of the Atlanta bank, justify the bank in continuing the advance without demand for payment. Mr. Morrill stated that Governor Black had advised that the exigent circumstances referred to in his letter of June 13, 1932, still exist, and that it is proposed to require of the bank additional collateral for the new advance in proportion to the collateral now held for the 10(b) advances made under the authority of the Board's telegrams of June 15, 1932, and December 20, 1932.

Unanimously approved.

Reply, approved by three members of the Board on January 3, 1933, to a letter dated December 19, 1932, from the Federal Reserve Agent at Boston inquiring as to the policy of the Board in the matter of admitting newly organized State banks to membership in the Federal reserve system and advising that the newly organized Pilgrim Trust Company of Boston intends to make application for membership. The reply stated that the Board has established no general policy with reference to the admission of newly organized State banking institutions to membership but considers each case on its merits, based on the information submitted with the application which should be as comprehensive as possible. The reply also outlined the infor-
mation which the Board desires to have submitted with the application of
the newly organized bank, in addition to the recommendation of the Board of
directors of the Federal reserve bank as to the action to be taken by the
Board on the application.

Approved.

Reply, approved by three members of the Board on December 30, to a
letter dated December 19, 1932, from the Federal Reserve Agent at Atlanta ad-
vising that the American Trust and Banking Company of Chattanooga, Tennessee,
has under consideration an application for membership in the Federal Reserve
System, and requesting information as to whether the bank's practice of
issuing certificates representing the ownership or a participation in the
ownership of loans secured by mortgages on real estate, under circumstances
outlined in the agent's letter, will interfere in any way with the approval
of the bank's application for membership. The reply stated that the Board
does not look with favor upon commercial banking institutions engaging in
the business of selling certificates or other evidences of title represent-
ing the ownership or a participation in the ownership of mortgage loans, whether
or not such certificates or other evidences of title are sold by the bank
without recourse; that the fact that a bank has engaged in such business,
however, does not necessarily mean that it may not be admitted to membership,
as it is possible that, upon considering the application of the American
Trust and Banking Company, the Board would prescribe a condition of member-
ship to the effect that after it becomes a member it shall not, except with
the permission of the Board, engage in the business of selling additional
mortgage loans or participations therein. The reply also suggested that when
the application is submitted the agent furnish the Board with definite in-
formation regarding the amount of mortgage loans and participations therein sold by the bank which are now outstanding, together with full information regarding the experience of the company with reference to any losses which may have been incurred by it in the transaction of this kind of business. The reply further stated that the Board cannot undertake to determine definitely at this time whether or not it will approve an application by the American Trust and Banking Company, but that it will be glad to give careful consideration to the application which should be accompanied by full information regarding the company's condition and the recommendation of the Atlanta bank with regard to the action which should be taken on its application; also, that it is the practice of the Board, when it appears that a State banking institution may not properly be admitted to membership, to afford the institution an opportunity to withdraw its application rather than to deny it.

Approved.

Letter dated December 28, 1932, from the Chairman of the Federal Reserve Bank of New York reporting, for the information of the Board, that, in accordance with the usual practice at this period of the year, the board of directors of the bank, at its meeting on December 22, 1932, considered the salary policy of the bank and recommendations of the committee of directors on the welfare of the staff, which recommendations were adopted in the following resolution:

"WHEREAS the directors of this bank on July 21, 1932, voted a furlough plan involving a flat reduction of 10 per cent in the salaries of officers and of 8 1/3 per cent in the salaries of employes; and"

"WHEREAS this action of the directors was disapproved by the Federal Reserve Board; and"
WHEREAS the directors thereafter on November 3, 1932, adopted a Share-the-Work program involving, as an incident thereto, a reduction of 4 per cent in the salaries of officers and employes; and

WHEREAS that plan was approved by the Federal Reserve Board and announced to the officers and employes on November 16, 1932, to be effective for a period of six months from that date; and

WHEREAS a review of the official and the clerical salaries of the bank indicates that both classes of salaries are well below the present market for comparable services in the principal member banks in New York City;

NOW, THEREFORE, IT IS RESOLVED

"(1) that, other than any necessary adjustment of individual salaries, the question of a general adjustment in salaries which was made a special order for consideration today be laid on the table;

"(2) that the officers of the bank continue to devote their energies to a curtailment of expenses and to economies in the operation of the bank to the full limit of efficiency; and

"(3) that the officers report from time to time to the directors any economies or curtailments of expenses in operation which they may have found to be possible without impairment of the efficiency of the bank's operations."

Noted.

Letters dated December 21 and 23, 1932, from the Federal Reserve Agent at Chicago advising that, in connection with the Investigation of the recent defalcations at the Detroit branch, it was discovered that Mr. George T. Jarvis, Assistant Cashier of the branch, over a period of eight years beginning in October 1924, and ending in March 1932, had been cashing Personal checks at the branch which were returned to the branch on account of insufficient funds but all of which were paid on subsequent presentations. The letter stated that a complete investigation has established that the
branch has suffered no loss by reason of these transactions; that the trans-
actions have not resulted from any wilful intent to defraud the bank in any
way, but are evidence of Mr. Jarvis’ carelessness in the handling of his
personal affairs; that the matter was thoroughly reviewed at the meeting of
the board of directors of the bank on December 23, when, upon recommendation
of the Detroit board, in which the Governor and Federal reserve agent con-
curred, it was unanimously decided that no action be taken with respect to
removing Mr. Jarvis; and that the question of his reelection will come up
at the organization meeting of the bank on January 6, at which time, unless
something else develops, the board of directors will doubtless reelect
Mr. Jarvis to his present position.

After a brief discussion, the agent’s letters
were referred to Mr. Magee as Chairman of the
Committee on District No. 7, with the request that
he discuss the subject thereof with the Governor of
the Federal Reserve Bank of Chicago who is in
Washington in connection with a meeting of the Open
Market Policy Conference and advise him that the
Board does not look with favor upon the reappointment
of Mr. Jarvis as an employee of the bank.

Reports of Standing Committee dated January 3, 1933, recommending
approval of the following changes in stock at Federal reserve banks:

<table>
<thead>
<tr>
<th>Applications for ORIGINAL Stock:</th>
<th>Shares</th>
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<tr>
<td>District No. 6.</td>
<td></td>
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<tr>
<td>Chattanooga National Bank, Chattanooga, Tenn.</td>
<td>1,500</td>
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<tr>
<th>Applications for SURRENDER of Stock:</th>
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<tr>
<td>District No. 10.</td>
<td></td>
</tr>
<tr>
<td>Hartshorne National Bank, Hartshorne, Oklahoma.</td>
<td>(V.L.Suc. by Bank of Hartshorne, Okla. nonmember)</td>
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</tbody>
</table>
Reports of Standing Committee dated December 30, 1932, and January 4, 1933, recommending approval of the following Clayton Act applications:

Mr. J. Bennett Rowley, for permission to serve at the same time as director of the First National Bank and Trust Company of Pompton Lakes, New Jersey, and as director of the First Merchants National Bank and Trust Company of Middletown, New York.

Mr. John H. Gowen, for permission to serve at the same time as director of the Valley National Bank of Des Moines, Iowa, and as director of the Iowa-Des Moines National Bank and Trust Company of Des Moines, Iowa.

Report of Standing Committee dated January 3, 1933, recommending approval of the following Clayton Act application; the recommendation having been approved by four members of the Board on January 3, 1933:

Mr. Frank Novak, for permission to serve at the same time as director of the National Central Bank of Baltimore, Maryland, as director of the Maryland Trust Company of Baltimore, Maryland, and as director of the Morris Plan Bank of Baltimore, Maryland.

Thereupon the meeting adjourned.

Approved.

Approved:

Chairman.

Secretary.