A meeting of the Federal Reserve Board was held in Washington on
Thursday, January 19, 1933, 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 Board considered and acted upon the following matters:

Telegrams dated January 18, 1933, from the Chairmen of the Federal
Reserve Banks of Philadelphia and St. Louis, advising that at meetings of
the boards of directors on that date no changes were made in the banks' 
existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Reply, approved by five members of the Board on January 18, to a
letter dated January 13, 1933, from the Chairman of the Federal Reserve
Bank of Dallas advising of the selection by the board of directors of the
bank of Mr. J. H. Frost as a member of the Federal Advisory Council,
representing the Eleventh Federal Reserve District, for the year 1933, and
of Mr. W. W. Woodson as alternate. The reply noted from the copy of the
minutes of the executive session of the meeting of the board of directors
of the bank on January 12, that the directors also had approved an
allowance for Mr. Frost of $300 for each meeting of the Council attended
by him during 1933, in lieu of fees and actual expenses, and stated that,
inasmuch as the minutes do not specify that a similar allowance was approved
for Mr. Woodson, it is assumed that the action of the directors applies only
to Mr. Frost and that Mr. Woodson would be reimbursed for the actual expenses
incurred by him in connection with any meeting which he might attend in
the absence of Mr. Frost, and the Federal Reserve Board has approved the
allowance on that basis. The reply also called attention to the Board's letter of March 23, 1925 (X-4296), with regard to the appointment of alternate members of the Federal Advisory Council.

Approved.

Telegraphic reply, approved by five members of the Board on January 18, 1933, to a telegram of that date 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 Salt Springs National Bank, Syracuse, New York, in the amount of $40,000, for a period of 90 days, with interest at the rate of 5% per annum, and on the security of miscellaneous domestic bonds with a margin of at least 25%; Deputy Governor Rounds stating that the bank desires the advance to meet a continued withdrawal of deposits. The reply stated that the Board authorizes the advance subject to the terms and conditions recommended.

Unanimously approved.

Telegraphic reply, approved by four members of the Board on January 18, to a telegram dated January 17, 1933, from Deputy Governor Rounds of the Federal Reserve Bank of New York, requesting authority for the purchase from the Ocean Side National Bank, Ocean Side, New York, tax notes of the Town of Hempstead Union Free School District No. 11, in the amount of $25,250. 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 of the notes offered exceeds 25% of the total out-
standing warrants of the municipality.

Approved.

Reply to a letter dated January 4, 1933, from the Federal Reserve Agent at Dallas reporting continuously deficient reserves for a period of six months on the part of the First National Bank in Hemphill, Texas. The reply stated that the Board is in accord with the agent's recommendation that no action be taken with regard to the matter at this time, although copies of the agent's letter and inclosure are being forwarded to the Acting Comptroller of the Currency for the information of his office.

Approved.

Reply, approved by five members of the Board on January 18, to a letter dated January 3, 1933, from Assistant Federal Reserve Agent Hill at Philadelphia inclosing copies of correspondence with the Central Trust Company, Harrisburg, Pennsylvania, relative to the examination of that institution as of October 22, 1932. The reply noted with approval that the Assistant Federal reserve agent has suggested to the trust company that it terminate as soon as possible its practice of selling guaranteed mortgage certificates, and requested that the Board be advised as to the action taken by the trust company in connection with the suggestion that, if the directors desire to continue to sell such certificates, arrangements be made to continue the activity through the medium of a separate mortgage company entirely divorced from the trust company. The reply stressed the importance to the trust company of taking all possible precaution to avoid giving the impression to its customers that such mortgage company is in any way connected with the trust company or that the trust company is responsible for any of the activities of the mortgage company.
Reply, approved by five members of the Board on January 18, 1933, to a letter dated December 7, 1932, from the Federal Reserve Agent at St. Louis with regard to the organization by the United Bank and Trust Company of St. Louis, since its admission to membership, of the affiliated United Corporation, apparently for the purpose, among others, of engaging in the business of guaranteeing the payment of loans secured by mortgages on real estate. The reply stated that it is clear from the information submitted that the acquisition of the stock of the corporation and the issuance of guaranteed mortgage participations by the trust company through the corporation, without first obtaining the permission of the Federal Reserve Board, violated the provisions of the general condition under which the trust company was admitted to membership; that the Board does not look with favor upon commercial banking institutions engaging in the business of guaranteeing mortgage loans or issuing guaranteed participations therein, either directly or through affiliated corporations; that, as the agent was previously advised, consideration is now being given by the Board to this general question; that, accordingly, the Board will defer taking any action at this time in the present case; and that the agent will be advised with regard thereto at a later date. The reply also stated that, since it appears that the trust company did not hold any corporate stocks at the time of its admission to membership, it is suggested that the agent call the attention of the company to the fact that, under its conditions of membership, it should obtain the Board's permission before it undertakes to acquire additional stock in any corporation.

Approved.
Reply, approved by five members of the Board on January 18, 1933, to a letter dated December 19, 1932, from the Federal Reserve Agent at Dallas inclosing copies of the correspondence exchanged with the Dallas Bank and Trust Company, Dallas, Texas, regarding the holding by that company, through a subsidiary, of shares of its own stock as collateral to loans. The reply stated that the information submitted does not in any way affect the advice contained in the Board’s letter of December 1, 1932, to the effect that the holding of the stock is contrary to the spirit and purpose of the Provisions of section 9 of the Federal Reserve Act, and requested that the agent again convey to the trust company the attitude of the Board with the advice that it will expect the institution to eliminate the stock at the earliest opportunity. The letter also requested advice as to the progress made by the bank in this connection, and, if at the time of the next examination the matter has not been adjusted, a recommendation from the agent as to the action which should be taken by the Board in the premises.

Approved.

Letter to the Federal Reserve Agent at San Francisco, approved by five members of the Board on January 18, 1933, replying to Assistant Federal Reserve Agent Sargent's letters of November 9 and December 16, 1932, with regard to the improvement effected in certain features of the condition of the Peoples Bank and Trust Company, Seattle, Washington, which were criticized in the report of examination as of June 21, 1932. The reply requested further information with regard to the Lexington Realty Corporation, a subsidiary of the trust company, and the Peoples Corporation, which owns the stock of the trust company, and advice of any further corrections.
made by the bank to meet the criticisms contained in the report of examina-
tion.

Approved.

Letter dated January 16, 1933, from the Secretary of the Federal
Advisory Council stating that the next meeting of the Council will be held
in Washington on Tuesday, February 21, 1933, and requesting a list of the
topics which the Federal Reserve Board desires the Council to discuss at
that time.

Noted.

Letter dated January 18, 1933, from the Governor of the Federal Re-
serve Bank of New York stating that at the meeting of the board of directors
of the bank last week consideration was given to the deposit with the Bank
for International Settlements which was originally in the amount of
$10,000,000, and which has now been reduced to $2,700,000 on deposit at
sight and $1,400,000 invested in bills; that the reasons which prompted
the opening of the account were reviewed; and that it was pointed out that
while it was extremely difficult to trace the use to which the deposit had
been put, it was possible to say that in addition to the investments of
$4,000,000 in Polish and Dutch bills, after receiving the deposit two new
direct credits were made by the Bank for International Settlements to
Yugoslavia and Finland, both of which are still outstanding, and that the
fundamental value of the deposit to the Bank for International Settlements
was not merely to put it in funds to grant new credits but also to enable
it to maintain pro tanto the volume of its investments and credits in
various European markets, especially Germany and Italy, which it would
otherwise have been forced to withdraw or diminish when it underwent
the extended reduction of its resources which followed immediately upon the Hoover moratorium and the panic created by the fall of sterling. Governor Harrison had suggested to the directors, the letter stated, that since the particular circumstances which prompted the opening of the account had materially altered, consideration might now be given to the maintenance of the account under more usual conditions as other banks of issue do, and that the directors were all of the opinion that the account should be maintained at least for the present in the existing amounts, and the matter reconsidered each month in the light of existing circumstances. The letter also outlined the reasons for the directors' opinion and added that they are generally in favor of developing and maintaining close and direct relations with the Bank for International Settlements looking forward to the many likely problems involving exchange stabilization in the next few years. The letter further stated that, in view of Governor Harrison's discussions of this matter with Governor Meyer, it was thought the Board would be interested to learn of the views of the directors of the New York bank and that an expression of the Board's views and reactions would be appreciated.

Governor Meyer stated that he had taken up with Governor Harrison the present status of the account with the Bank for International Settlements for the reason that the Board had approved the original opening of the account for specific purposes and under the conditions which then existed; that while the account had been reduced approximately $6,000,000, he did not believe it should be allowed to be changed by altered conditions, inaction or inadvertence, without further consideration by the Board, into a
different kind of account involving a different point of view and changed relationships; and that he had stated to Governor Harrison that, if the New York bank feels the account with the Bank for International Settlements should be maintained, the matter should be considered in the light of the changed conditions, and in any event, the question of the maintenance of the account should be considered by the directors of the bank from time to time and the Federal Reserve Board advised.

A general discussion ensued during which reference was made to certain legal questions which were given consideration at the time of approval by the Board of the opening of the account and the Secretary was requested to consult with the Board's general counsel with regard to the legal aspects of the maintenance of any account with the Bank for International Settlements under the changed conditions outlined in Governor Harrison's letter.

The Governor then stated that he had been advised informally by the Governor of the Federal Reserve Bank of New York that some of the directors of the Federal Reserve Bank of New York feel that it would be desirable for Governor Harrison to make a trip to Europe in the very near future, and a discussion ensued during which Mr. Wyatt, General Counsel, joined the meeting.

At the conclusion of the discussion, the Secretary was requested to address a letter to the Governor of the Federal Reserve Bank of New York advising that Governor Meyer had reported Governor Harrison's statement that some of the directors of the New York bank felt that it would be desirable for him to make a trip abroad in the very near future; and that the Federal Reserve Board questions the advisability of his making such a trip at this time, but has the matter under consideration, and will appreciate it if he will send the Board a statement of the reasons which impelled the directors to the conclusion that it would be desirable for him to make the trip.
Secretary's Note: The Secretary immediately telephoned Governor Harrison and advised him of the contents of the letter to be addressed to him. Governor Harrison stated that he would send a communication to the Board regarding the matter.

Reports of Standing Committee dated January 3 and 18, 1933, recommending approval of the following changes in stock at Federal reserve banks:

Applications for SURRENDER of Stock:

<table>
<thead>
<tr>
<th>District No. 3.</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allenwood National Bank, Allenwood, Pennsylvania. (Insolvent)</td>
<td>23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>District No. 4.</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>First National Bank, Ellwood City, Pennsylvania. (Insolvent)</td>
<td>150</td>
</tr>
<tr>
<td>Peoples National Bank, Steubenville, Ohio. (Decrease in surplus)</td>
<td>30</td>
</tr>
<tr>
<td>Carnegie National Bank, Carnegie, Pennsylvania. (Decrease in surplus)</td>
<td>270</td>
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<thead>
<tr>
<th>District No. 5.</th>
<th>Shares</th>
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<tr>
<td>First National Bank, Fort Gaines, Georgia. (Insolvent)</td>
<td>33</td>
</tr>
<tr>
<td>Hamilton National Bank, Chattanooga, Tennessee. (Decrease in surplus)</td>
<td>188</td>
</tr>
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<tr>
<th>District No. 7.</th>
<th>Shares</th>
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</thead>
<tbody>
<tr>
<td>First National Bank, Center Line, Michigan. (Insolvent)</td>
<td>36</td>
</tr>
<tr>
<td>First National Bank, Iowa Falls, Iowa. (Insolvent)</td>
<td>45</td>
</tr>
<tr>
<td>Lincoln National Bank and Trust Company, Fort Wayne, Indiana. (Decrease in surplus)</td>
<td>141</td>
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<thead>
<tr>
<th>District No. 9.</th>
<th>Shares</th>
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</thead>
<tbody>
<tr>
<td>Drovers State Bank, South St. Paul, Minnesota. (Cons. with the Exchange State Bank, under the title of Drovers Exchange State Bank, nonmember)</td>
<td>90</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>District No. 10.</th>
<th>Shares</th>
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</thead>
<tbody>
<tr>
<td>First National Bank, Paden, Oklahoma. (V.L.Abs. by Prague National Bank of Prague, Oklahoma.)</td>
<td>17</td>
</tr>
</tbody>
</table>
1/19/33

Applications for SURRENDER of Stock: (Cont'd)
District No. 12.
First National Bank, Winnemucca, Nevada. (Insolvent)

<table>
<thead>
<tr>
<th>Shares</th>
<th>Total</th>
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<tbody>
<tr>
<td>180</td>
<td>180</td>
</tr>
</tbody>
</table>

Approved.

Thereupon the meeting adjourned.

Approved:

[Signature]

Secretary.

[Signature]

Governor.