

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Thursday, April 13, 1933, at 12:15 p. m.

PRESENT: Mr. Meyer, Governor
Mr. Hamlin
Mr. Miller
Mr. James

Mr. Morrill, Secretary
Mr. McClelland, Assistant Secretary
Mr. Harrison, Assistant to the Governor.

Governor Meyer stated that Governor Harrison of the Federal Reserve Bank of New York, who is in Washington, had advised him this morning that there is a possibility that the board of directors of the bank will take action at its meeting this afternoon to reduce the rediscount rate of the bank from 3% to 2 1/2%.

After a discussion, the Governor was authorized, in the event action to reduce the discount rate is taken by the board of directors of the New York bank, to approve, for and on behalf of the Board, a rate of 2 1/2%, effective April 14, 1933.

Governor Meyer also stated that there was a sharp increase in foreign exchange quotations in the New York market today and that the Federal Reserve Bank of New York has received an application from the Bank of the Manhattan Company for a license from the Secretary of the Treasury to export approximately \$600,000 of gold to Holland, and he raised for discussion the question as to whether the Board should recommend to the Secretary of the Treasury that such licenses be granted freely. The ensuing discussion developed the consensus that a recommendation should be made by the Board to the Secretary of the Treasury that licenses for the export of gold in accordance with the Executive Order issued by the President on April 5, 1933, should be issued freely to recognized dealers in foreign exchange.

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At the conclusion of the discussion, Governor Meyer was requested to communicate the recommendation to Under Secretary of the Treasury Ballantine who was in communication by telephone with the Secretary of the Treasury in New York.

Governor Meyer left the meeting and upon his return stated that he had advised Mr. Ballantine of the Board's recommendation.

The Assistant Secretary presented a telegram dated April 12, 1933, approved by four members of the Board, to the Governors of all Federal reserve banks, stating that the Conference of Governors originally called for Monday, April 17, 1933, is postponed until Wednesday, April 19, 1933, at 10:00 a. m., and requesting that the individual Governors advise whether they can arrange to be present at the conference.

Approved.

The Committee then considered and acted on the following matters:

Telegrams dated April 11, 1933, from Mr. Mosher, Secretary of the Federal Reserve Bank of Minneapolis, and April 13, 1933, from Mr. Hoxton, Chairman of the Federal Reserve Bank of Richmond, advising that at meetings of their 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.

Letter dated February 21, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, stating that as it was known by bill dealers in San Francisco on February 20 and 21, 1933, that the Federal Reserve Bank of New York was purchasing bills on those dates at a rate of $\frac{1}{2}$ of 1%, the San Francisco bank purchased in the San Francisco market \$1,400,000 of bills at that rate, notwithstanding the fact that the bank's minimum authorized rate for purchases of bills was 1%; that the purchases

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made by the bank were approved by the executive committee on February 21; and that the approval of the Board is requested. The Assistant Secretary stated that this letter was received in due course but through inadvertence had not been brought to the attention of the Board.

The Secretary was requested to advise Mr. Newton that the Board approves the rate of $1\frac{1}{2}\%$ at which the purchases referred to were made by the San Francisco bank.

Telegrams dated April 12, 1933, from Mr. McClure, Chairman of the Federal Reserve Bank of Kansas City, stating that the board of directors of the bank at its meeting on that date established a rate of 5% on all advances to nonmember State banks and trust companies under the provisions of section 404 of the Act of March 9, 1933, as amended by the Act of March 24, 1933; no other change having been made in the bank's existing schedule of rates of discount and purchase.

The rate of 5% established by the board of directors was approved, and its action in making no other change in the bank's existing schedule of rates of discount and purchase was noted with approval.

Memorandum dated April 12, 1933, from the Secretary recommending that Mr. Frank H. Grimes, Jr., be appointed as assistant index clerk and typist in the Secretary's office with salary at the rate of \$1,600 per annum, effective April 14, 1933.

Approved.

Letter dated April 11, 1933, from Mr. Sproul, Secretary of the Federal Reserve Bank of New York, advising that at the meeting of the executive committee of the bank on April 10, 1933, it was voted to accept the resignation of Mr. R. M. Morgan, Manager of the Bill Department,

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effective April 7, 1933.

Noted.

Letter dated April 10, 1933, from Assistant Federal Reserve Agent Anderson at Cleveland referring to the temporary employment of Mr. Harry K. Hauck and Miss Kathleen Atkinson in connection with the share-the-work movement, and stating that Mr. Hauck's services were terminated on March 31; that Miss Atkinson has been transferred to the credit department of the bank to fill a vacancy there; and that, with the disposition of these two persons, the share-the-work movement has been definitely suspended.

Noted.

Reply to a letter and telegram dated April 6, 1933, from Mr. Williams, Federal Reserve Agent at Cleveland, advising of the appointment on that date, under the authority granted by the Board on March 20, 1933, of Mr. David G. Watterson as an assistant examiner in the Federal reserve agent's department of the bank, with salary at the rate of \$2,400 per annum. The reply stated that the Board notes with approval the appointment of Mr. Watterson, and requested that the agent advise whether the appointment is permanent or on a temporary basis for the period of the increased work in the agent's department.

Approved.

Letter dated April 11, 1933, to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, approved by three members of the Board, stating that, in accordance with the recommendation contained in his letter of April 3, 1933, the Board has approved changes in the personnel classifica-

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tion plan of the Houston branch to provide for the new positions of "manager" and "stenographer and clerk" in the Reconstruction Finance Corporation department of the branch.

Approved.

Letter dated April 8, 1933, from Mr. Sargent, Secretary of the Federal Reserve Bank of San Francisco, advising of the appointment by the board of directors of the bank of Mr. W. D. Shortt to the position of assistant auditor at the head office, effective April 6, 1933, without change in his present salary; the appointment having been made necessary by the temporary appointment, effective March 11, 1933, of Mr. R. T. Hardy, auditor, to the position of acting assistant cashier, also without a change in salary.

Noted.

Telegram dated April 11, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, advising of the death on April 9, 1933, of Mr. G. G. Wright, one of the Board's appointees to the directorate of the Salt Lake City branch.

Noted with regret.

The matter of the selection of a successor to Mr. Wright for the unexpired portion of the term ending December 31, 1934, was referred to the Committee on District No. 12, for recommendation to the Board.

Reply to a letter dated February 14, 1933, from Mr. Newton, Chairman of the Federal Reserve Bank of San Francisco, inclosing a copy of a letter dated February 4, 1933, from Mr. T. H. Ramsay, class A director of the bank, with regard to his service as a director of the State Agricultural Society of California, and a copy of a letter dated February 11, 1933, from

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Mr. Davis, Managing Director of the Spokane branch stating that Mr. Stanly A. Easton, a director of the branch, is no longer serving on the Board of Regents of the University of Idaho nor on the State Board of Education and that he has stated that he will resign from any political committees of which he may be a member, following which he will address a letter to Mr. Davis advising that he is no longer a member of any political organizations. The reply stated that it is assumed from Mr. Ramsay's letter that the State Agricultural Society is either a continuation, under a new name, or a successor, of the State Board of Agriculture, which is referred to in his biographical sketch on file with the Board, and as it seems clear from the information contained in the letter that the position does not come within the scope of the Board's resolution of December 23, 1915, the Board will interpose no objection to Mr. Ramsay's retaining the position while serving as a director of the Federal Reserve Bank of San Francisco. The reply also requested that Mr. Newton forward to the Board, for its files, a copy of the letter which Mr. Easton stated he would address to the Managing Director of the Spokane branch.

Approved.

Telegrams dated April 11, 1933, to the respective Federal reserve agents, approved by four members of the Board, stating that the Board has approved the applications of the following State banking institutions for membership in the Federal Reserve System and for Federal reserve bank stock, subject to the conditions prescribed in the individual telegrams:

<u>Name of Bank</u>	<u>Number of Shares</u>	<u>Federal Reserve Bank</u>
Buffalo Bank, Buffalo, West Va.	27	Richmond
State Bank of Cochran, Cochran, Ga.	20	Atlanta

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Approved.

Telegram dated April 12, 1933, to Mr. Case, Federal Reserve Agent at New York, approved by three members of the Board, stating that the Board has approved the application of the Leonia Bank and Trust Company, Leonia, New Jersey, for membership in the Federal Reserve System and for 90 shares of stock of the Federal Reserve Bank of New York, subject to the conditions prescribed in the telegram.

Approved.

Telegram to Mr. Case, Federal Reserve Agent at New York, stating that the Board has approved the application of the Salamanca Trust Company, Salamanca, New York, for membership in the Federal Reserve System, and for 360 shares of the stock of the Federal Reserve Bank of New York, subject to the conditions prescribed in the telegram.

Approved.

Telegram dated April 12, 1933, to Mr. Walsh, Federal Reserve Agent at Dallas, approved by four members of the Board, referring to the application of the Farmers and Merchants State Bank, Brady, Texas, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice and that, accordingly, upon surrender of the Federal reserve bank stock issued to the Farmers and Merchants State Bank, the Federal Reserve Bank of Dallas is authorized to cancel such stock and make a refund thereon.

Approved.

Reply to a letter dated January 23, 1933, from Mr. Case, Federal Reserve Agent at New York, transmitting analyses of State examiners' reports

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of examination of the Bank of Manhattan Trust Company and the International Acceptance Bank, Incorporated, together with various schedules and reports in connection with the transactions whereby the Bank of Manhattan Trust Company absorbed the International Acceptance Bank and was merged with the President and Directors of the Manhattan Company under the title of the Bank of the Manhattan Company; Mr. Case recommending that the Board require no further eliminations or adjustments under the condition of membership relating thereto which was prescribed for and accepted by the bank at the time it was admitted to membership in the Federal Reserve System. The reply stated that, from the information submitted, it appears that the requirements for charge-offs and the allocation of specific reserves as set out in the reports of examination as of November 18, 1932, of the institutions constituting the present Bank of the Manhattan Company, have not been entirely complied with; that, in order to comply with the condition of membership prescribed by the Board with regard to the charging off of losses and depreciation, it will be necessary for the bank to charge off, or otherwise eliminate, approximately \$4,724,000; and that it will be appreciated, therefore, if the agent will advise the bank of the Board's views and request that, if it has not already done so, it charge off or otherwise eliminate, all depreciation on securities investments below the four highest grades, stocks and defaulted bonds, and also on all other assets included in the requirements of the State banking department, which has not been charged off or otherwise eliminated. The reply also noted that in the report of examination of the former Bank of Manhattan Trust Company there are listed a number of loans on which a total of 10,141-1/2

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shares of Manhattan Company stock have been taken as collateral, apparently to secure debts previously contracted, and requested that the agent discuss the matter with the bank, with a view of obtaining the elimination of such collateral as rapidly as may be possible under the existing conditions.

Approved.

Telegraphic reply to a telegram dated April 12, 1933, from Assistant Federal Reserve Agent Bailey at Minneapolis, outlining the steps taken by the Peoples State Bank, Plainview, Minnesota, to place that institution in a satisfactory condition, and stating that the executive committee of the Federal reserve bank recommends that, if the Board approves, it request the Secretary of the Treasury to authorize the Federal reserve bank to issue a license to the member bank to open at once. The reply stated that the recommendation of the executive committee does not require the approval of the Board and should be submitted to the Secretary of the Treasury direct. It also referred to the condition of membership to which the bank is subject requiring an increase of its capital stock; noted that the stockholders have agreed to increase the capital stock to \$25,000 within one year; and requested that Mr. Bailey forward to the Board detailed information regarding the condition of the bank as a result of corrections outlined in his telegram, a copy of the agreement of the stockholders, and his recommendation and that of the executive committee of the Federal reserve bank as to the action which should be taken by the Board.

Approved.

Replies on April 11, 1933, approved by four members of the Board, to letters dated March 30 and 31, 1933, from Mr. Newton, Federal Reserve

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Agent at San Francisco, reporting respectively that the Steiwer & Carpenter Bank, Fossil, Oregon, and the First National Bank, Elma, Washington, have been continuously deficient in their required reserves for periods exceeding six months. The replies stated that, in view of the information submitted, the Board will take no action at this time with regard to these deficiencies other than to forward a copy of the agent's letter with regard to the national bank to the Acting Comptroller of the Currency for the information of his office.

Approved.

Letter dated April 12, 1933, to the First National Bank of Groton, New York, approved by four members of the Board, stating that the Board has approved the bank's application for permission to act, when not in contravention of State or local law, as executor and administrator, the exercise of such rights being subject to the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board.

Approved.

Reply to a letter dated March 1, 1933, from Mr. Walsh, Federal Reserve Agent at Dallas, stating that in view of the observations made therein the Board may desire again to consider the position taken in its letter of October 20, 1932 (X-7276), suggesting that expenses incurred in connection with floral offerings, etc., should not be paid by Federal reserve banks, and to permit the banks to pay for such offerings without referring them to the Board, subject, of course, to any criticism that the Federal reserve examiners may wish to make. The reply stated that, upon reviewing the reports of expenses of the Federal reserve banks, it appears that only

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three of the banks have made expenditures for floral offerings since 1927, most of them apparently having considered such expenditures as personal, and that, while the Board appreciates the motives that result in expenditures of this character, it feels, as stated in its letter of October 20, 1932, that they should not be treated as a part of the expenses of the Federal reserve banks as such. The reply also added that floral offerings made by the Federal Reserve Board are paid for by its members and not out of its official funds.

Approved.

Telegraphic reply to a telegram dated April 8, 1933, from Governor Black of the Federal Reserve Bank of Atlanta requesting that the Board ascertain if the Treasury Department would be willing to authorize the Federal reserve bank to consent to renewals of notes pledged by banks in the hands of conservators as security for war loan deposit accounts and held by the Federal reserve bank as custodian for the Treasury, and what disposition should be made of interest on such notes, if remitted. The reply quoted a memorandum received under date of April 12, 1933, from Assistant Secretary of the Treasury Douglas, stating that the Treasury will not object to the bank accepting renewals of the notes referred to for a period not exceeding 30 days; that the Treasury prefers to leave the matter largely to the discretion of the Federal reserve banks, as they are in a better position to determine the desirability of the procedure to follow in any given case; and that the interest due from the notes should be collected and applied by the reserve banks as a payment against the war loan deposit account of the depository bank.

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Approved, and the Secretary was requested to telegraph the contents of Assistant Secretary Douglas' memorandum to the other Federal reserve banks for their information.

Telegram to the Governors of all Federal reserve banks, outlining the information to be furnished to the Board in the future on schedules regarding collateral for advances to member banks under section 10(b) of the Federal Reserve Act, as amended, and stating that collateral for advances to nonmember banks under the Act of March 24, 1933, should be similarly classified and, in addition, separate totals should be shown on the schedules for bills receivable eligible for discount and for securities eligible for purchase by the Federal reserve banks.

Approved.

Telegram to the Federal reserve agents at all Federal reserve banks stating that, in order that the Board may follow closely all changes in the status of banks, the Federal reserve banks are requested to mail as soon as practicable statements showing (a) the name and location, and total deposits as of the last call for condition reports, of each nonmember State bank, trust company, stock savings bank, mutual savings bank, and private bank under State supervision in the respective districts as of April 12, 1933, (b) the name and location of each State bank and trust company member which, as of April 12, 1933, had not been licensed by the Secretary of the Treasury to resume full banking functions, (c) name and location of each private bank not under State supervision but included in the Federal reserve banks' printed lists of banks authorized to reopen, as well as of any other institution included therein which would not be included in the abstract of condition reports of State banks, and (d) name and location of each non-

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member State bank, trust company, stock savings bank, mutual savings bank and private bank under State supervision which suspended, went into liquidation, or was absorbed by another bank during the period from March 1 to 12, 1933, together with the date and manner in which the bank went out of existence. The telegram also requested that the Federal reserve banks mail a supplement to lists (a) and (b) as of each Wednesday beginning April 19, and stated that, in lieu of telegraphic and mail reports of bank suspensions heretofore furnished, the Federal reserve banks wire to the Board as soon as practicable the name and location of each bank which during the period from March 13 to April 13 (1) suspended or went into liquidation after resuming full banking operations, (2) suspended or went into liquidation after resuming operations on a restricted basis or without having resumed any banking operations, and (3) was placed on a restricted basis after having resumed full banking operations; also that corresponding data be wired currently to the Board hereafter. The telegram further stated that reports on form St. 6386-a should continue to be submitted monthly covering all bank consolidations, absorptions and mergers, and on form St. 6386-c covering new banks, successions and conversions; that, pending receipt and tabulation of these data, statistics on bank suspensions will not be published by the Board; and that it is suggested that this policy also be followed by the Federal reserve banks.

Approved.

Letter dated April 11, 1933, to the Chairmen and Governors of all Federal reserve banks transmitting a copy of the letter addressed by the Board to the Chairman of the Committee on Banking and Currency of the

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Senate regarding Senate Bill 875, which provides for the supervision of traffic in investment securities in interstate commerce, and stating that a similar letter regarding H. R. 4314 was being addressed to the Chairman of the Committee on Interstate and Foreign Commerce of the House of Representatives.

Approved.

Reply on April 12, 1933, approved by four members of the Board, to letters dated January 13 and March 30, 1933, from Assistant Federal Reserve Agent Gettemy at Boston, inquiring whether deposits made in a member bank by the Federal Home Loan Bank of Cambridge, Massachusetts, may be classified by the member bank as amounts due to banks in computing its reserve. The reply stated that upon consideration of the matter it is the opinion of the Board that a Federal home loan bank may properly be considered a bank within the meaning of the eighth paragraph of section 19 of the Federal Reserve Act, and that deposits made by such an institution in a member bank may properly be classified by the latter as amounts due to banks in computing its reserves and in preparing its reports of condition.

Approved, together with a letter dated April 12, 1933, to the Chairmen of all Federal reserve banks inclosing a copy of the letter addressed to Mr. Gettemy.

Letter dated April 12, 1933, to the Chairmen and Governors of all Federal reserve banks, approved by four members of the Board, stating that in view of the fact that the Federal reserve banks act as fiscal agents of the Government in receiving subscriptions to bonds, notes, Treasury bills, certificates of indebtedness, and other obligations of the United States, it is the view of the Federal Reserve Board that if directors, officers or

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employees of a Federal reserve bank file subscriptions for such securities directly with such Federal reserve bank especial care should be taken to make certain that their subscriptions are handled in strict accordance with Treasury instructions and in no respect receive more favorable treatment than is accorded other subscriptions of the same class, and that, in order to insure strict compliance with this principle, it is suggested that a specific officer of the bank be charged with the responsibility of supervising all subscriptions hereafter received from directors, officers and employees of the bank and that the auditor of the bank also be instructed to prepare a detailed analysis of all such subscriptions, the allotments thereon, and other actions taken with respect thereto, and submit a full report thereon to the board of directors at the earliest possible meeting following the date of the issuance of such Government obligations.

Approved.

It was understood that with the approval of the above letter, which was prepared by the Board's General Counsel in the light of the motion by Mr. James which was adopted at the meeting on April 3, 1933, no further action need be taken by counsel under the motion referred to.

Reply on April 12, 1933, approved by four members of the Board, to a letter dated March 25, 1933, from Senator Joseph T. Robinson, inclosing a letter dated March 9, 1933, from Mr. J. B. Daggett of Marianna, Arkansas, containing a suggestion that all of the profits of the Federal reserve banks be distributed to the member banks. The reply stated that apparently this suggestion would require the return to the Federal reserve banks, for distribution to the member banks, of the money originally paid to the Treasury

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as a franchise tax, and the distribution to the member banks of the existing surplus of the Federal reserve banks, and that, for the reasons stated in the letter, the Federal Reserve Board feels that the action suggested by Mr. Daggett would not be consonant with the best interests of the Federal Reserve System.

Approved.

Reply on April 11, 1933, approved by three members of the Board, to a letter dated March 10, 1933, from the Secretary to Senator Reed inclosing correspondence from Mr. James W. Gillogly suggesting the adoption of a plan involving the purchase of silver on a large scale by the United States Government in exchange for silver certificates. The reply stated that the suggestion is evidently based in part on the supposition that there is a shortage of currency in this country and in part on the theory that a rise in the price of silver would constitute an important factor in improving conditions throughout the world; that an adequate supply of currency is available for all legitimate needs at the present time; and that, as to the effect of such a plan on world trade, the question has so many ramifications and the Board has had so many other pressing problems, that there has not been an adequate opportunity to consider the various phases of the problem and the Board is not therefore in a position to comment upon it at this time.

Approved.

Mr. Hamlin stated that, from a personal conversation with Senator Glass, he had understood that, as the Senator is generally familiar with the Board's general position with regard to the provisions of the Glass bill, he did not consider it necessary for the Board to file with him its suggestions

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as to possible changes in the bill, as a whole, but that he might be interested in obtaining a report on a plan for the insurance of losses in member banks which has not yet been perfected and which may be placed in the bill.

Reports of Standing Committee dated April 10, 11 and 13, 1933, recommending approval of the following changes in stock at Federal reserve banks:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 10.</u>		
First National Bank at Ardmore, Oklahoma.	120	120
<u>District No. 11.</u>		
Wichita National Bank, Wichita Falls, Texas.	144	144
	<u>Total</u>	<u>264</u>
 <u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 11.</u>		
Mercantile Bank & Trust Company, Dallas, Texas. (Increase in surplus)	6	
Kilgore National Bank, Kilgore, Texas. (Increase in surplus)	<u>9</u>	15
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
First National Bank, Hawthorne, New Jersey. (V.L. Abs. by Peoples Bank of Hawthorne, nonmember)	90	90
<u>District No. 6.</u>		
Gadsden National Bank, Gadsden, Alabama. (Insolvent)	105	105
<u>District No. 7.</u>		
First National Bank, George, Iowa. (Insolvent)	19	19
<u>District No. 8.</u>		
National Bank of Orleans, Orleans, Ind. (V.L.Suc. by The Bank of Orleans, nonmember)	48	
Farmers National Bank, Glasgow, Kentucky. (V.L.Suc. by The New Farmers National Bank of Glasgow)	<u>120</u>	168
<u>District No. 10.</u>		
Farmers National Bank, Alma, Kansas. (V.L.Suc. by First National Bank in Alma, Kansas)	23	23

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<u>Applications for SURRENDER of Stock: (Cont'd)</u>	<u>Shares</u>	
<u>District No. 11.</u>		
Follett National Bank, Follett, Texas. (Decrease in surplus)	9	
First National Bank, Littlefield, Texas. (Decrease in surplus)	10	19
	<u>Total</u>	<u>424</u>

Approved.

Report of Standing Committee dated April 13, 1933, recommending approval of the following Clayton Act application:

Mr. E. A. Frost, for permission to serve at the same time as director of the State National Bank of Texarkana, Arkansas, and as director of the Commercial National Bank in Shreveport, Shreveport, Louisiana.

Approved.

Thereupon the meeting adjourned.

Robert Howell
Secretary.

Approved:

Agnes [Signature]
Governor.