

## The Papers of Charles Hamlin (mss24661)

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Hamlin, Charles S., Scrap Book – Volume 212, FRBoard Members

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date August 2, 1941

To The Files

Subject: \_\_\_\_\_

From Mr. Coe

*Mr. C.*

After correspondence with Mrs. Hamlin (see letters of May 25 and June 4, 1941) the items attached hereto and listed below, because of their possible confidential character, were taken from Volume 212 of Mr. Hamlin's scrap book and placed in the Board's files:

## VOLUME 212

### Page 43

Memo to Board from Mr. Smead re Operations of Havana Agency of the Federal Reserve Bank of Atlanta during the calendar year 1930.

### Page 49

Memo to Mr. Hamlin from Mr. Vest re Clayton Act Applications Involving the National Metropolitan Bank.

### Page 65

Memo to Mr. Hamlin from Mr. Smead attaching "Loans and Investments of 12 Selected Banks in New York City and Two in the New York District Outside New York City on February 6, and April 24, 1929".

### Page 73

(X-6830) Amendment to Regulation G, Series of 1931.

### Page 95

(X-6833) New Regulations of Veterans' Bureau Regarding Loans Secured by Adjusted Service Certificates.

### Page 115

Memo to Mr. Hamlin from Mr. McClelland re Recommendations of the Comptroller of the Currency, Annual Report, 1930.

### Page 129

Memo to Mr. Hamlin from Mr. Smead re member bank borrowings under the Federal Reserve Act and under the National Bank Act.

### Pages 131

Earnings & Expenses of F.R. Banks, February 1931.

### Page 147

Minutes of meeting of Executive Committee of F.R. Board.

### Page 148

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February 25, 1931

Federal Reserve Board

Mr. Smead

*dup*  
Operations of the Havana Agency  
of the Federal Reserve Bank of Atlanta  
during the calendar year 1930.

The Havana, Cuba, Agency of the Federal Reserve Bank of Atlanta does not carry any deposit accounts or invest any funds in income-producing assets, but limits its operations (a) to denominational exchanges of currency (b) to the payment of currency to the Cuban banks against credits established at the Federal Reserve Bank of Atlanta and (c) to the receipt of currency from the Cuban banks for which the Agency gives credit at the Federal Reserve Bank of Atlanta or at such other Federal reserve bank as may be designated by the bank making the deposit. Except for denominational exchanges which were authorized as of March 1, 1927, the above operations have been performed since the opening of the Agency on September 1, 1923. The Agency charges \$1 per thousand on all currency received from and paid to the Cuban banks. Effective March 1, 1927, the Agency was authorized to buy, sell, and collect prime banker's acceptances and prime bills of exchange payable in dollars, which arise out of import or export transactions, bear a satisfactory bank endorsement, have not more than 90 days to run and are secured at the time of purchase by shipping documents, but the Agency has not engaged in such operations.

The height of the cane grinding season in Cuba is from February to April and it is during this period that the Agency normally pays out a considerable amount of currency, presumably for payroll purposes. During the other nine months of the year, there is usually a net return of currency to the Agency and for the year as a whole the Agency's operations always show a substantial withdrawal of currency from circulation. This reduction of money in circulation resulting from the Agency's operations is no doubt largely if not entirely offset by currency brought into Cuba by tourists and others.

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The last available estimates give the amount of money in Cuba as \$138,000,000 of which \$93,000,000 is estimated as American paper money, \$11,000,000 as American gold, and \$34,000,000 as Cuban coin. Cuba's stock of money is summarized as follows from Commerce Reports' dated January 13, 1930:

(In thousands of dollars)				
	Total	In the Treasury	In banks	In private hands
American Money				
Total	104,730	11,491	41,374	51,865
Paper Currency	93,426	6,473	40,240	46,713
Gold	11,032	4,950	1,066	5,016
Silver	218	51	58	109
Nickel and Bronze	54	17	10	27
Cuban Money				
Total	33,649	8,649	2,869	22,131
Gold	23,787	6,210	566	17,011
Silver	8,413	2,165	2,070	4,178
Nickel	1,449	274	233	942

Attached hereto are two statements showing (a) the amount of United States currency shipped to the Havana Agency and the amount returned to the United States by the Agency during each year since its establishment and (b) the amount of currency paid to Havana banks by the Agency and the amount of currency received by the Agency from Havana banks. From these statements it will be noted that since the Agency was established its shipments of currency to the United States have exceeded shipments of currency from the United States to the Agency by \$82,000,000. It will also be noted that net withdrawals of currency from circulation in Cuba through Agency operations have amounted to \$103,600,000 from September, 1923, to the end of 1930.

Transactions with individual banks in Havana were as follows during 1930:

Denominational exchanges	Transfers	
	Currency received from Havana Agency	Currency paid to Havana Agency
Branch of National City Bank, N.Y.	\$2,803,000	\$9,475,000
Br. of Royal Bank of Canada	2,383,000	8,500,000
Br. of Chase National Bank, N.Y.	299,000	1,400,000
Br. of First National Bank, Boston	460,000	1,559,000
Banco Commercial de Cuba	130,000	350,000
Banco del Comercio	413,000	250,000
N. Gelats y Cia	427,000	3,000,000
Branch of Bank of Nova Scotia	382,000	1,500,000
Branch of Canadian Bank of Commerce	157,000	1,085,000
Other banks	40,000	20,000
Cuban Treasury	325,000	-
Total	7,819,000	27,139,000

The above denominational exchanges include (a) the exchange of \$3,187,000 of Federal reserve notes on which no commission was charged because of the prevalence in Cuba of counterfeit \$100 bills of the 1918 series and (b) the exchange of paper currency for \$350,000 of U. S. gold coin on which no commission was charged. The volume of currency handled by the Agency in 1930 was the largest since 1926. In both of these years a run on the Havana banks was responsible for the unusual currency demands upon the Agency.

It will be noted from one of the aforementioned tables that the Havana Agency carries a stock of approximately \$20,000,000 of U. S. currency. Were it not for the existence of the Havana Agency the Havana banks would presumably consider it advisable to increase present vault cash by approximately this amount and if so the agency enables them to save interest thereon, which at say 4 per cent would amount to \$800,000 per annum. Commissions paid to the Agency, including those

paid in the United States to the Atlanta Head Office totaled \$79,052 in 1930 and expenses of the Agency totaled \$48,476. Expenses and commissions received by the Havana Agency since its formal opening on September 1, 1923, including figures for the Agency of the Federal Reserve Bank of Boston discontinued January 1, 1927, are given below:

	<u>Expenses</u>	<u>Commissions received</u>
1930	\$48,476	\$79,052
1929	50,239	53,997
1928	40,680	43,382
1927	33,453	67,435
1926	41,927	113,970
1925	35,281	43,731
1924	48,644	47,590
1923 (4 months)	20,060	24,469
Total	318,760*	473,626

\*Does not include cost of vault, \$71,253, and cost of furniture and equipment purchased, \$12,975, both of which have been written off with the Board's approval.

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U. S. CURRENCY SHIPPED TO AND FROM HAVANA AGENCY

	1923	1924	1925	1926	1927	1928	1929	1930	1923 to 1930
<b>A. Shipped to Agency</b>									
Atlanta F. R. notes	\$8,420,000	\$16,220,000	\$8,500,000	\$48,860,000	\$16,700,000	\$10,400,000	\$24,031,575	\$37,620,000	\$170,751,575
Silver certificates	-	16,000	4,000	-	2,000,000	500,000	1,400,045	1,200,000	5,126,045
U. S. notes	-	16,000	-	-	-	-	-	-	16,000
<b>Total</b>	<b>8,420,000</b>	<b>16,252,000</b>	<b>8,504,000</b>	<b>48,860,000</b>	<b>18,700,000</b>	<b>10,900,000</b>	<b>25,431,620</b>	<b>38,820,000</b>	<b>175,887,620</b>
<b>B. Unfit Currency Returned by Agency</b>									
Atlanta F. R. notes	-	3,827,500	6,810,500	30,885,000	20,253,500	11,897,000	20,233,000	43,006,000 (a)	136,912,500
"Other Feds.": Boston	248,500	963,500	799,000	1,091,500	682,500	434,500	393,500	510,500	5,123,500
New York	6,838,000	7,722,000	8,703,000	11,598,000	7,337,500	3,262,500	3,082,000	4,309,000	52,852,000
Philadelphia	74,000	276,500	280,000	522,500	325,500	252,000	318,000	457,500	2,506,000
Cleveland	52,000	151,000	206,000	454,500	239,500	237,500	207,000	298,500	1,846,000
Richmond	75,500	244,000	252,000	511,500	328,500	322,500	329,000	558,500	2,621,500
Chicago	78,000	225,500	215,000	349,000	213,500	204,000	259,500	402,500	1,947,000
St. Louis	16,500	63,500	69,000	105,000	53,500	44,500	50,500	88,500	491,000
Minneapolis	4,500	21,500	21,000	40,000	25,000	17,500	17,500	25,500	172,500
Kansas City	9,000	40,000	47,500	79,000	46,000	34,000	34,500	53,000	343,000
Dallas	38,500	101,500	116,500	190,000	143,000	78,000	84,000	113,500	865,000
San Francisco	30,000	147,500	163,500	343,500	237,000	169,500	190,500	330,000	1,611,500
<b>Total "Other Feds"</b>	<b>7,464,500</b>	<b>9,956,500</b>	<b>10,872,500</b>	<b>15,284,500</b>	<b>9,631,500</b>	<b>5,056,500</b>	<b>4,966,000</b>	<b>7,147,000</b>	<b>70,379,000</b>
<b>Total F.R. notes</b>	<b>7,464,500</b>	<b>13,784,000</b>	<b>17,683,000</b>	<b>46,169,500</b>	<b>29,885,000</b>	<b>16,953,500</b>	<b>25,199,000</b>	<b>50,153,000</b>	<b>207,291,500</b>
Gold certificates	-	747,000	2,328,000	3,456,500	2,307,000	2,191,500	1,965,500	7,270,000 (b)	20,265,500
Silver certificates	95,500	843,500	1,091,000	1,797,500	1,951,500	1,786,500	1,926,000	2,169,500	11,661,000
U. S. notes	182,000	939,000	1,018,000	1,332,000	1,012,500	741,500	788,000	782,500 (c)	6,795,500
National bank notes	440,500	1,747,750	1,474,500	2,338,500	1,414,500	1,169,000	1,228,500	1,377,000	11,190,250
Federal reserve bank notes	9,000	182,500	103,000	61,000	40,000	20,000	5,000	3,000	423,500
<b>Total</b>	<b>8,191,500</b>	<b>18,243,750</b>	<b>23,697,500</b>	<b>55,155,000</b>	<b>36,610,500</b>	<b>22,862,000</b>	<b>31,112,000</b>	<b>61,755,000 (d)</b>	<b>257,627,250</b>
<b>Net currency shipments</b>									
To agency	228,500	-	-	-	-	-	-	-	-
To United States	-	1,991,750	15,193,500	6,295,000	17,910,500	11,962,000	5,680,380	22,935,000	81,739,630

(a) Includes \$31,721,500 new and fit notes.

(b) " \$3,040,000 fit notes

(c) " \$40,000 fit notes

(d) " \$34,801,500 new and fit notes.

\* September 1, to December 31.

DIVISION OF BANK OPERATIONS  
FEBRUARY 25, 1931

(In thousands of dollars)

a	Includes	\$745,500	Cuban gold coin shipped to Philadelphia mint.
b	"	\$603,400	" " " " " " "
c	"	\$1,348,900	" " " " " " "
d	"	\$1,000,000	of notes returned by a Havana bank.

e Includes \$3,700 miscellaneous receipts  
f " \$1,003,700 " "  
g Credit  
\* September 1 to December 31.

DIVISION OF BANK OPERATIONS,  
February 25, 1931.

## Office Correspondence

FEDERAL RESERVE  
BOARD

See SM

Date February 26, 1931.

To Mr. Hamlin

Subject: Clayton Act Applications Involv-

From Mr. Vest

ing the National Metropolitan Bank.

GPO 2-8495

In accordance with your request, I am attaching hereto a brief statement with reference to each of the Clayton Act applications involving the National Metropolitan Bank in Washington, D. C., which have been approved by the Federal Reserve Board, and also a similar statement as to each application involving this bank which has been disapproved by the Federal Reserve Board. The records of the Board with regard to applications passed upon in 1916 are in very poor shape and it is not clear in every case just what action was finally taken by the Board upon applications at that time. I believe that the information contained in the attached lists, however, is fairly accurate.

Respectfully,

*George B. Vest*George B. Vest,  
Assistant Counsel.Lists attached.VOL. 212  
PAGE 49*CV*

APPLICATIONS INVOLVING THE NATIONAL METROPOLITAN BANK AND  
ANOTHER WASHINGTON BANK, APPROVED BY THE FEDERAL RESERVE BOARD.

APPLICATION OF GEORGE TRUESDELL TO SERVE THE NATIONAL METROPOLITAN BANK AND THE WASHINGTON LOAN & TRUST COMPANY, BOTH OF WASHINGTON, D.C.

The Federal Reserve Agent recommended approval of the application stating that while the national bank was doing a commercial banking business, the trust company did no commercial business but was engaged in loaning on collateral security and in a general fiduciary business. The Board approved the application on September 12, 1916.

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APPLICATION OF TOWNLEY A. MCKEE TO SERVE THE NATIONAL METROPOLITAN BANK AND THE SECURITY SAVINGS & COMMERCIAL BANK, BOTH OF WASHINGTON, D.C.

The Federal Reserve Agent recommended disapproval on the ground that the banks were both in commercial business and, therefore, in substantial competition. The Board's Clayton Act Committee also recommended refusal but the Board granted the application on October 13, 1916.

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APPLICATIONS OF HENRY AUGUSTUS WILLARD, 2nd, and WILLIAM BRADLEY WILLARD TO SERVE THE NATIONAL METROPOLITAN BANK AND THE NATIONAL SAVINGS & TRUST COMPANY, BOTH OF WASHINGTON, D.C.

It appeared that the banks were not transacting generally the same kind of business and that they appealed mostly to different classes of customers. The Federal Reserve Agent recommended approval stating that "the two banks are not in substantial competition and my investigation convinces me that the granting of the application will not jeopardize the public interest." The Federal Reserve Board approved the applications July 27, 1928.

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APPLICATION OF GEORGE E. WHITE TO SERVE THE NATIONAL METROPOLITAN BANK AND THE PARK SAVINGS BANK, BOTH OF WASHINGTON, D.C.

The Federal Reserve Agent recommended approval of this application because the two banks were located about three miles apart and serve different classes of customers. The Board approved the application February 6, 1931.

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APPLICATION OF CHARLES B. HAWLEY TO SERVE  
THE NATIONAL METROPOLITAN BANK AND THE MUNSEY  
TRUST COMPANY, BOTH OF WASHINGTON, D.C.

The applicant stated that the banks transact generally the same kinds of business but that the class of customers which they serve or appeal to is partly similar and partly different. The Federal Reserve Agent recommended approval stating that "The National Metropolitan Bank is a strictly commercial bank and the Munsey Trust Company is not. Although in some respects they do the same kind of business with similar customers, I do not believe that the competition is substantial or in any way prejudices the public interest." The Federal Reserve Board granted the application on February 6, 1931.

APPLICATIONS INVOLVING THE NATIONAL METROPOLITAN BANK AND  
ANOTHER WASHINGTON BANK, DISAPPROVED BY THE FEDERAL RESERVE  
BOARD.

APPLICATION OF WILLIAM F. GUDE TO SERVE THE  
NATIONAL METROPOLITAN BANK, THE LINCOLN NAT-  
IONAL BANK AND THE MUNSEY TRUST COMPANY, ALL  
OF WASHINGTON, D.C.

It appeared that these institutions were largely doing a commer-  
cial business and were in substantial competition and on that ground  
the Federal Reserve Agent recommended disapproval. The Board apparent-  
ly disapproved this application on or about September 12, 1916.

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APPLICATIONS OF O.H.P. JOHNSON AND HENRY K.  
WILLARD TO SERVE THE NATIONAL METROPOLITAN BANK  
AND THE NATIONAL SAVINGS & TRUST COMPANY, BOTH  
OF WASHINGTON, D.C.

The Federal Reserve Agent recommended approval on the ground  
that the banks were engaged in a different class of business and did  
not appear to be in substantial competition. The Federal Reserve Board's  
Clayton Act Committee, however, recommended refusal and the Board ap-  
parently disapproved the applications on or about September 12, 1916.  
Final refusal of Mr. Johnson's application was on November 22, 1916.

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APPLICATIONS OF RUDOLPH KAUFFMANN AND JAMES B.  
LAMBIE TO SERVE THE NATIONAL METROPOLITAN BANK  
AND THE UNION TRUST COMPANY, BOTH OF WASHINGTON,  
D.C.

The Federal Reserve Agent recommended approval on the ground  
that the two institutions were engaged generally in different classes of  
business but the Board's Clayton Act Committee recommended refusal and  
the Board apparently disapproved the applications on or about September  
12, 1916.

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APPLICATION OF JOHN F. WILKINS TO SERVE THE NAT-  
IONAL METROPOLITAN BANK AND THE AMERICAN SECURITY  
& TRUST COMPANY, BOTH OF WASHINGTON, D.C.

The Federal Reserve Agent recommended approval on the ground  
that the institutions were engaged in different classes of business, but  
the Board's Clayton Act Committee recommended refusal and the Board dis-  
approved the application on or about September 12, 1916.

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## Office Correspondence

FEDERAL RESERVE  
BOARDDate March 2, 1931To Mr. Hamlin

Subject: \_\_\_\_\_

From Mr. Smead

2-8495

*SR*

The list of 14 selected banks for which I gave you loan and investment figures on February 27, contained only those banks which at the end of April were carrying a considerable volume of security loans and which had been continuous or frequent borrowers in considerable amounts from the Federal reserve banks. While each one of the banks was out of debt some time during the period between February 6 and April 24 they were all borrowing a substantial portion of the time.

The statement I gave you was headed Loans and Investments of 14 selected banks in New York City, the heading should have read 12 selected banks in New York City and 2 in the New York district outside New York City, and I have had the statement rewritten with the correct heading.

LOANS AND INVESTMENTS OF 12 SELECTED BANKS IN NEW YORK CITY AND TWO  
IN THE NEW YORK DISTRICT OUTSIDE NEW YORK CITY ON FEBRUARY 6, AND  
APRIL 24, 1929

LOANS

(In millions of dollars)

	Total		On securities		To brokers and dealers		To customers		"All other" loans	
	Feb. 6	Apr. 24	Feb. 6	Apr. 24	Feb. 6	Apr. 24	Feb. 6	Apr. 24	Feb. 6	Apr. 24
1	185	191	67	56	13	9	54	47	118	136
2	41	86	28	48	19	20	10	28	13	38
3	244	241	88	81	29	19	59	62	157	159
4	39	37	27	23	9	5	18	18	13	13
5	102	126	80	105	53	73	28	32	21	22
6	174	166	100	91	45	36	55	55	74	75
7	363	356	173	164	41	34	132	130	190	193
8	134	139	58	50	20	7	38	43	77	89
9	178	182	92	88	11	3	81	85	86	94
10	478	510	272	283	74	74	198	210	206	226
11	316	334	227	232	75	60	151	172	89	102
12	125	118	70	64	26	17	44	47	55	54
13	166	176	82	84	12	14	70	70	84	91
14	50	48	33	32	2	3	31	29	16	16
	2,595	2,710	1,397	1,401	429	374	969	1,028	1,199	1,308

+ 4%

- 12%

+ 6%

INVESTMENTS

	Total		U. S. securities		Other securities		Total loans and investments	
	Feb. 6	Apr. 24	Feb. 6	Apr. 24	Feb. 6	Apr. 24	Feb. 6	Apr. 24
1	50	64	17	12	33	52	235	255
2	22	37	9	15	13	22	63	123
3	38	34	18	18	20	16	282	275
4	14	13	6	5	8	8	53	49
5	263	255	148	141	116	115	365	382
6	21	22	3	6	18	16	195	188
7	128	99	101	74	28	25	491	456
8	34	32	15	16	19	16	168	171
9	39	41	16	15	23	25	217	223
10	229	201	177	154	51	47	707	710
11	101	92	82	72	19	20	417	426
12	16	25	8	15	9	10	142	143
13	40	39	12	14	28	25	206	215
14	6	7	4	4	3	3	56	55
	1,001	961	616	561	388	400	3,597	3,671

- 4%

+ 2%

DIVISION OF BANK OPERATIONS  
MARCH 2, 1931.

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*Mr. Hamilton*

*See NH*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6830

March 2, 1931

SUBJECT: Amended Regulation G, Series of 1931.

Dear Sir:

There is enclosed for your information a copy of the Board's Regulation G, governing the re-discount of notes secured by adjusted service certificates, as amended today to conform to the Act of February 27, 1931. The Regulation is being printed and a supply will be furnished to you as soon as possible. Please advise how many copies of the printed Regulation you desire.

By direction of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

TO GOVERNORS AND CHAIRMEN OF ALL F. R. BANKS.

VOLUME 212  
PAGE 73

*873*

## REGULATION G, SERIES OF 1931

(Superseding Regulation G of 1928)

REDISCOUNT OF NOTES SECURED BY ADJUSTED SERVICE  
CERTIFICATES

## SECTION I. STATUTORY PROVISIONS

Under the terms of the World War adjusted compensation act as amended, loans may lawfully be made to veterans upon their adjusted service certificates only in accordance with the provisions of section 502 thereof.

Any national bank, or any bank or trust company incorporated under the laws of any State, Territory, possession, or the District of Columbia is authorized, after the expiration of two years after the date of the certificate, to loan to any veteran upon his promissory note secured by his adjusted service certificate any amount not in excess of the loan value of the certificate, which is (A) 50 PER CENT OF THE FACE VALUE OF THE CERTIFICATE, OR (B) THE LOAN VALUE stated on the face of the certificate, WHICHEVER IS THE GREATER AMOUNT. The law provides that the rate of interest charged upon the loan by the lending bank shall not exceed by more than 2 per cent per annum the rate charged at the date of the loan for the discount of 90-day commercial paper by the Federal reserve bank of the Federal reserve district in which the lending bank is located AND, AS TO LOANS MADE ON OR AFTER FEBRUARY 27, 1931, SHALL IN NO EVENT EXCEED  $4\frac{1}{2}$  PER CENT PER ANNUM COMPOUNDED ANNUALLY.

Upon the indorsement of any bank, which shall be deemed a waiver of demand, notice and protest by such bank as to its own indorsement exclusively, and subject to regulations to be prescribed by the Federal Reserve Board, any such note secured by an adjusted service certificate and held by a bank is made eligible for rediscount with the Federal reserve bank of the Federal reserve district in which such bank is located, whether or not the bank offering the note for rediscount is a member of the Federal reserve system and whether or not it acquired the note in the first instance from the veteran or acquired it by transfer upon the indorsement of any other bank; provided that at the time of rediscount such note has a maturity not in excess of nine months, exclusive of days of grace, and complies in all other respects with the provisions of the law, the regulations of the United States Veterans' Bureau, and the regulations of the Federal Reserve Board.

## SECTION II. DEFINITIONS

Within the meaning of this regulation -

- (a) The term "the act" shall mean the World War adjusted compensation act as amended;

-2-

(b) The term "director" shall mean the ADMINISTRATOR OF VETERANS' AFFAIRS, WHO HAS BEEN VESTED BY LAW WITH THE POWER AND DUTIES FORMERLY VESTED IN THE Director of the United States Veterans' Bureau;

(c) The term "certificate" shall mean an adjusted service certificate issued under the provisions of section 501 of the World War adjusted compensation act as amended;

(d) The term "veteran" shall mean any person to whom an adjusted service certificate has been issued by the director under the provisions of the World War adjusted compensation act as amended;

(e) The term "bank" shall mean any national bank or any bank or trust company incorporated under the laws of any State, Territory, possession, or the District of Columbia;

(f) The term "note" shall mean a promissory note secured by an adjusted service certificate and evidencing a loan made by a bank on the security of such certificate in full compliance with the provisions of the World War adjusted compensation act as amended and the regulations of the Administrator of Veterans' Affairs.

### SECTION III. ELIGIBILITY

In order to be eligible for rediscount at a Federal reserve bank, any such note must -

(a) Arise out of a loan made by a bank to a veteran in full compliance with the provisions of the act and of any regulation which the director may prescribe;

(b) Be secured by the certificate issued to the maker, which certificate must accompany the note;

(c) Be held by the offering bank in its own right at the time it is offered for rediscount;

(d) Be in the form approved by the director;

(e) Have a maturity at the time of rediscount not in excess of nine months, exclusive of days of grace; PROVIDED, HOWEVER, THAT WHEN SUCH NOTE CONTAINS, IN THE FORM APPROVED BY THE DIRECTOR, A PROVISION FOR THE EXTENSION OF THE MATURITY THEREOF FROM YEAR TO YEAR, AT THE OPTION OF THE HOLDER EVIDENCED BY HIS ENDORSEMENT THEREON, THE MATURITY OF SAID NOTE (AFTER THE FIRST MATURITY STATED THEREON) SHALL, FOR THE PURPOSE OF DETERMINING ITS ELIGIBILITY FOR REDISCOUNT, BE DEEMED TO BE THAT STATED IN THE LATEST EXTENSION INDORSED THEREON BY THE HOLDER.

(f) Evidence a loan the amount of which does not exceed (A) 50 PER CENT OF THE FACE VALUE OF THE CERTIFICATE OR (B) the loan value STATED ON THE FACE of the certificate for the year in which such loan was made, WHICHEVER AMOUNT IS GREATER;

(g) Be payable with interest accruing after the date of the note at a rate stated in the face of the note, which rate must not exceed by more than 2 per cent per annum the rate charged at the date of the loan for the discount of 90-day commercial paper by the Federal reserve bank of the Federal district in which the  
reserve

lending bank is located; PROVIDED, HOWEVER, THAT, IF THE LOAN WAS MADE ON OR AFTER FEBRUARY 27, 1931, THE RATE MUST NOT IN ANY EVENT EXCEED 4 $\frac{1}{2}$  PER CENT PER ANNUM, COMPOUNDED ANNUALLY.

(h) Bear the indorsement of the bank offering it for rediscount, which indorsement shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively;

(i) Be accompanied by the evidence of eligibility required by this regulation and such other evidence of eligibility as may be required by the Federal reserve bank to which it is offered for rediscount; and

(j) Comply in all other respects with the requirements of the law and of this regulation.

#### SECTION IV. EVIDENCE OF ELIGIBILITY

(a) General. - The Federal reserve bank to which a note is offered for rediscount must be satisfied either by reference to the note itself or otherwise that the loan evidenced by the note or any sale, discount, or rediscount thereof complies in all respects with the provisions of section 502 of the act and that the note is eligible for rediscount by a Federal reserve bank under the terms of the law and the provisions of this regulation.

(b) Affidavit of lending bank. - Any note offered to a Federal reserve bank for rediscount must be accompanied by the affidavit required by section 502(h) of the act and the regulations of the director, in form approved by the director, made by an officer of the bank which made the loan, before a notary public or other officer designated for the purpose by regulation of the director, stating that -

(1) Such bank has not charged or collected, or attempted to charge or collect, directly or indirectly, any fee or other compensation in respect of any loan, made by such bank to any veteran under section 502 of the act, except the interest authorized by such section;

(2) The person who obtained the loan evidenced by such note is known to be the veteran named in the certificate securing such note;

(3) Such bank has notified the director that it has made a loan to the veteran named in the certificate, as required by the regulations of the director; and

(4) Such bank has notified the veteran by mail at his last known post-office address of any sale, discount, or rediscount of such note by such bank, as required by section 502(b) of the act.

(c) Affidavit of other banks. - If such note is offered for rediscount by a bank other than the bank which made the loan thereon, it must also be accompanied by an affidavit of an officer of the offering bank and an affidavit of an officer of each other bank which has sold, discounted, or rediscounted such note, which affi-

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davit shall be in form approved by the director and shall state that the bank of which the affiant is an officer has promptly notified the veteran by mail at his last known post-office address of the sale, discount, or rediscount of such note by such bank, as required by section 502(b) of the act.

#### SECTION V. APPLICATION FOR REDISCOUNT

Every application for the rediscount of such notes shall be made on a form approved by the Federal reserve bank to which such note is offered and shall contain a certificate of the offering bank to the effect that, to the best of its knowledge and belief, such note arose out of a loan made in full compliance with the provisions of the act and the regulations of the director and is eligible for rediscount under the provisions of section 502 of the act and of this regulation.

#### SECTION VI. PROPER BANK FOR REDISCOUNT

No such note shall be rediscounted by any Federal reserve bank for any bank not located in its own Federal reserve district, except that such notes may be rediscounted by any Federal reserve bank for any other Federal reserve bank.

#### SECTION VII. RATE OF REDISCOUNT

The rate of interest charged by any Federal reserve bank on any such note rediscounted by it shall be the same as that charged by it for the rediscount of 90-day notes drawn for a commercial purpose, except that when such notes are rediscounted for another Federal reserve bank the rate shall be that fixed by the Federal Reserve Board.

#### SECTION VIII. REDISCOUNTS FOR NONMEMBER BANKS

No Federal reserve bank shall rediscount such notes for a nonmember bank until such bank has furnished to the Federal reserve bank such information as it may request in order to satisfy itself as to the condition of such bank and the advisability of making the rediscount for it.

B73

See 124

# FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6833

March 5, 1931.

SUBJECT: New Regulations of Veterans' Bureau Regarding Loans  
Secured by Adjusted Service Certificates.

Dear Sir:

Pursuant to the Act of Congress approved February 27, 1931, amending Section 502 of the World War Adjusted Compensation Act with reference to loans upon adjusted service certificates, the Administrator of Veterans' Affairs has amended his regulations on this subject so as to conform to the provisions of the law as amended and there are enclosed herewith copies of these regulations in the amended form. Copies of the Federal Reserve Board's Regulation G amended to conform to the new law were forwarded to you in my letter of March 2nd.

By reference to the new regulations of the Administrator of Veterans' Affairs and to the Board's new Regulation G, it will be noted that, as to all loans made on the security of adjusted service certificates on and after February 27, 1931, the rate of interest must not exceed (a) simple interest at a rate not exceeding by more than 2 per cent per annum the rate charged at the date of the loan for the discount of 90 day commercial paper by the Federal reserve bank of the Federal reserve district in which the lending bank is located, or (b)  $4\frac{1}{2}$  per cent per annum compounded annually, whichever is the lower.

It will also be noted that the Administrator of Veterans' Affairs has prescribed in his regulations a new form of note which may be used by banks in making loans on the security of adjusted service certificates, containing a provision that if the principal and interest are not paid at maturity, the maker and all endorsers authorize the holder at his option, evidenced by the holder's endorsement to that effect on the note, to extend its maturity for a period of one year and to repeat such extensions from year to year. The Federal Reserve Board's new Regulation G contains a provision that where there is such a provision for the extension of maturity of a note from year to year at the option of the holder evidenced by his endorsement thereon, the maturity of

-2-

said note (after the first maturity stated therein) shall, for the purpose of determining its eligibility for rediscount be deemed to be that stated in the latest extension endorsed thereon by the holder. The new form of note prescribed by the Administrator of Veterans' Affairs (U.S. Veterans' Bureau Form No. 6615-a) will, therefore, be eligible for rediscount at a Federal reserve bank whenever the maturity date stated in the latest extension endorsed on the note is not more than nine months after the date of rediscount provided, of course, that the note complies in all other respects with the requirements of the law and of the regulations. Banks making loans on notes secured by adjusted service certificates, which do not desire to preserve the eligibility of such notes for rediscount after the first maturity may properly use the same form (U. S. Veterans' Bureau Form No. 6615) which has been used heretofore for making loans on the security of adjusted service certificates.

Copies of this letter and of the enclosures are being sent to all the branches of the Federal reserve banks.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosures.

TO GOVERNORS AND CHAIRMEN OF ALL F. R. BANKS.

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## Office Correspondence

FEDERAL RESERVE  
BOARD

See Nk

Date March 9, 1931

To Mr. Hamlin

Subject:

From Mr. McClelland

oro

2-8495

There is attached hereto, for your information, copy of a memorandum prepared in the Board's Division of Research and Statistics, giving summaries of recommendations of changes in the banking law, made by Mr. Pole, Mr. Broderick, Mr. Roosevelt's Banking Commission, and Mr. Warburg.

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RECOMMENDATIONS OF THE COMPTROLLER OF THE CURRENCY,  
ANNUAL REPORT, 1930

I. Group and Chain Banking

No national bank should be permitted to become a part of a group banking system, except on the condition that all other banks in the group are national banks; and when a State member bank of the Federal reserve system is a part of a group, the Federal Government should be given visitorial powers over the entire group. More specifically:

(a) No corporation should be permitted to own a majority of the stock of a national bank if it owns at the same time a majority of the stock of a State bank.

(b) The Comptroller of the Currency should be given visitorial power over any corporation owning a majority of the stock of a national bank.

(c) No national bank should be permitted to make a loan on the security of the stock of a corporation owning a majority of the stock of the lending bank.

II. Branch Banking

A. The McFadden Act should be amended to permit national banks in important commercial and financial centers to establish branches in the area that is economically and financially tributary to such centers without regard to State boundaries or to State banking laws. The privilege should be limited to banks in cities serving a territory sufficient to provide economic diversification. The trade area within which banks located in such cities may extend their branches should be defined by a committee consisting of the Comptroller of the Currency, the Secretary of the Treasury, and the Governor of the Federal Reserve Board. Banks permitted to have branches in a trade area should have a minimum capital of \$1,000,000 and the extension of branches should be subject to the approval of the Comptroller of the Currency.

B. The National Bank Consolidation Act should be amended to permit any bank within the trade area to consolidate under national charter with the approval of the Comptroller of the Currency.

### III. Affiliates

A. The Comptroller of the Currency should have authority to examine security or investment companies affiliated with national banks.

### IV. Fiduciary Powers

A. The law should be amended to provide that the exercise of fiduciary powers shall be one of the corporate powers of a national banking association, subject to the existing limitations regarding State laws now contained in the Federal Reserve Act.

### V. Liquidation of National Banks

A. The Comptroller of the Currency should be given supervision of national banks going into voluntary liquidation and the liquidating agent should be required to give bond and render reports to the Comptroller of the Currency in the same manner as the receiver of an insolvent bank.

### VI. Circulating False Reports

A. It should be made a crime to maliciously make or circulate any false report concerning a national bank, or a member of the Federal reserve system, which imputes insolvency or unsound financial condition.

### VII. Banks in the District of Columbia

A. Certain recommendations are included regarding changes in the laws governing banks in the District of Columbia

RECOMMENDATIONS OF THE NEW YORK SUPERINTENDENT OF BANKS,  
MR. JOSEPH A. BRODERICK, IN HIS ANNUAL REPORT,  
RELEASED JANUARY 7, 1931.

I. Supervision

A. Permit the Superintendent of Banks in his discretion to omit one examination a year of a bank or trust company which is a member of the New York Clearing House Association and accept in lieu thereof the report of the Clearing House examination made during the year.

B. Require the directors of a banking institution to examine it at least every six months, such examinations to include a complete review by each director of all loans and investments in excess of one-tenth of 1 per cent of the capital and surplus of the institution. At least once in every two years this examination to include a complete verification of the bank's deposit liabilities.

II. Officers and Directors

A. Permit the Superintendent of Banks to remove officers and directors of banking institutions who have persistently violated the banking laws or who have been guilty of continuance of unsafe or unsound banking policies.

B. Prohibit any officer or employee of a bank to borrow from or otherwise become directly or indirectly obligated to the institution by which he is employed.

C. Prohibit any officer of a bank from becoming an officer of any company engaged primarily in the purchase or sale of securities.

D. Require a director of a banking institution who is directly or indirectly obligated on any loan made by such institution either to him or to others to file once a year with the bank, and at such other times as the Superintendent of Banks may require, a statement of his financial condition.

E. Require banks to render each year to stockholders a report of the attendance of directors at meetings held during the year.

### III. Chain, Group, and Branch Banking

A. Permit the Superintendent of Banks to examine any corporation owning 10 per cent or more of the capital stock of any corporation organized under the banking laws.

B. Require <sup>any</sup>/holding company owning stock in a banking institution to maintain reserves or to furnish a surety bond to protect the double liability attaching to such stock.

C. Permit savings banks, with the approval of the Superintendent of Banks, to establish deposit and withdrawal stations in the county in which the principal office is located, and to move to another place within a county branch offices acquired by a merger with other savings banks.

### IV. Affiliates

A. No banking institution should be permitted to invest more than 10 per cent of its capital and surplus in the stock or obligations of an affiliate or its subsidiaries, or to extend to an affiliate a loan of over this amount or to lend more than this on security of shares or obligations of an affiliate.

B. The stock of all banks subject to the department of banking should be evidenced by individual certificates of stock which shall not be coupled with the stock of any other corporation. All such arrangements now obtaining should terminate within two years.

### V. Mergers

A. Permit prompt mergers of banking institutions in emergency without a vote of the stockholders and without the usual two weeks notice. This should be possible only with the approval of the Superintendent of Banks and on his declaration that the merger is necessary to prevent the closing of one of the institutions.

VI. Reserve Requirements

A. Require banks and trust companies to maintain reserves against time deposits.

B. Forbid deduction of foreign exchange balances in computing net demand deposits subject to reserves.

VII. Investments

A. Limit the aggregate amount a banking institution may invest in stocks and bonds of other corporations.

B. Permit the Superintendent of Banks at the expense of banking institutions, including savings banks, to order an appraisal of real estate owned or mortgaged to the bank by an independent impartial appraiser of recognized standing.

VIII. Segregation of Accounts

A. Require segregation of thrift accounts in commercial banks in cities over 75,000 and place a restriction on the investment of such thrift funds.

IX. Bankers Balances

A. Limit the funds a banking institution may deposit in any other bank, distinguishing deposits in designated reserve depositories, in domestic institutions not acting as reserve agents, and in foreign banking institutions.

X. Private Bankers

A. Require a periodic audit of the deposit liabilities of private bankers by an independent auditor.

B. Require private bankers to discontinue accepting deposits by June 30, 1931 and to liquidate their deposit liabilities by December 31, 1931.

PRINCIPAL RECOMMENDATIONS MADE BY GOVERNOR ROOSEVELT'S BANKING COMMISSION (GEORGE W. DAVISON, CHAIRMAN); JANUARY 29, 1930.

I. Supervision

The Banking Department should be kept out of politics. It should also be enlarged and reorganized and salaries should be raised--e.g., the salary of the Superintendent should be raised from \$12,000 to \$15,000, he should have an assistant at \$12,500, and the next six members of his department--all to be under civil service--should get \$12,000 each.

The Banking Department should be given more extensive powers relative to the examination of such private banks as make a practice of accepting deposits.

The Banking Superintendent should be given a limited authority to examine affiliates of banks--i.e., to the extent required to obtain full information as to the financial condition of the bank.

Investment trusts should remain exempt from examination by the Banking Department.

Caution should be exercised in chartering new institutions.

II. Officers and Directors of Banks

Law enforcement officers, including judges and district attorneys, should be prohibited from serving as officers or directors of banks.

It should be the duty of bank officers to inform their directors of disciplinary communications from the Banking Department.

To impose additional responsibilities on bank directors, beyond specified limits, would discourage men of the type needed by banks from serving as directors.

III. Chain and Branch Banking

Chain banking should be prohibited and branch banking confined to limited regions. It is important, however, that State and Federal laws

on these matters should be uniform, and for this reason further study should precede further legislation.

Savings banks, subject to the approval of the Banking Superintendent, should be permitted to open receiving and paying stations.

#### IV. Reserve Requirements

The law should be amended to require the establishment for State institutions of 3 per cent reserves against all time deposits--which are at present exempt from reserve requirements; attention is called to the fact that so-called thrift deposits in commercial banks are for practical purposes demand deposits. The segregating of thrift or savings accounts is not recommended.

The same reserves against deposits should be required of private bankers as are required of incorporated banks.

#### V. Fiduciary Powers

The law should be amended to permit any banking association organized under Federal law to become a trust company under State law.

This commission was appointed August 19, 1929, and reported January 29, 1930. It was composed of George W. Davison of New York, Chairman; Howard Bissell of Buffalo; James Byrne, Darwin R. James, Russell C. Leffingwell, Henry W. Pollock, Ray Morris, Jesse Isadore Strauss, and William H. Woodin, all of New York, and Messrs. Campbell and Cheney, members of the New York State Senate.

The report of this commission was submitted at the same time as a report from another investigating agency--the so-called "Legislative Committee," which had been named to consider savings banks. The reports of the two agencies do not agree in all respects.

MR. WARBURG'S SUGGESTIONS FOR CHANGES IN BANKING  
LAW AND PRACTICE

The following suggestions made by Mr. Warburg are listed without much explanation as they appeared in his Chapter XII entitled "Looking Forward" in the book on the Federal Reserve System, Volume I, page 456, et sequ.

1. He believes that the introduction of term settlement would increase the market for bills and diminish the amount of call loans.

2. He wants to bring about some rule by which each bank that invests a given amount in call loans should be required to invest an equal amount in acceptances or loans thereon. This also would increase the market for bills and would give the banks a secondary reserve in the discount market.

3. He wants to have a similar rule apply to loans made by banks for account of nonbanking lenders. Only in that case the amount invested in bills does not need to be 100 per cent of the loan. He thinks that the law might fix a maximum percentage and the Federal Reserve Board determine a minimum percentage.

4. Remove income tax on income from acceptances.

5. Possibly establish a higher rate on discounts secured by Governments.

6. Is negative. He disapproves of lombard loans. "One shudders to think what would happen to the Federal reserve system if its doors were open for the carrying of stock exchange collateral."

7. He does not believe in regulating commodity prices.

8. He wants to introduce a system by which immediate credit will be given to banks for all checks deposited and interest charged for the time necessary for the check to reach its place of payment, but not for the return trip. He believes that this would give the system a very large contact with the market and would supplement its open-market powers. He thinks that member banks might have the choice of getting deferred credit, or pay interest and get immediate credit.

9. In order not to bring about inflation by the adoption of immediate credit, the Board should have authority to raise required reserves on time deposits.

This matter of immediate credit at interest is not sufficiently clearly stated in the book. Presumably there are other places where Mr. Warburg has elaborated.

10. Abolish national bank notes.

11. Establish and maintain a definite relationship between the discount rate and the rate paid by banks on deposits.

12. Modification of Federal Reserve Board membership:

(a) Each appointive member to spend his last four years: 2 as Vice-Governor, and 2 as Governor of the Board.

(b) The Governor should be Chairman of the Board and the Vice-Governor the Vice-Chairman.

(c) Secretary of the Treasury should not be on the Board, but the Undersecretary should.

(d) The Comptroller of the Currency should either be under the Board or off the Board.

(e) Board members whose terms expire should be eligible for reappointment by the President without confirmation of the Senate.

(f) In addition to the eight members of the Board now provided for, there should be four members selected by the President from a list submitted by four groups of Federal reserve directorates. Each group should comprise the directorates of three reserve banks acting jointly. These four members would, therefore, be representatives of the Federal reserve banks on the Board. The members should attend only monthly meetings at which open-market policy and discount rate policy would be determined. They would live outside of Washington and be contact points. Their salaries would be paid by the reserve banks and the intimation is that they would be in proportion to the salaries paid to officers of the reserve banks, rather than to the Federal Reserve Board.

13. Mr. Warburg also proposes a change in the method of electing directorates of the reserve banks. The election should be made by the branch territories, each branch territory selecting three Class A and Class B directors, and the Board appoint three Class C directors. From each of these branch territories one of

the Class A and one of the Class B directors should be selected to serve on the directorate of the Federal reserve bank, the Class C directors being appointed for the purpose by the Federal Reserve Board as at present.

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## Office Correspondence

FEDERAL RESERVE  
BOARDDate March 12, 1931To Mr. HamlinSubject: Member bank borrowings under the  
Federal Reserve Act and under  
the National Bank ActFrom Mr. Smead

2-8495

You spoke to me the other day about a statement recently made, to the effect that the standards of banking in this country have been steadily declining under the Federal Reserve System. It is quite probable that an article on page 427 of the February 27, 1931 issue of The Annalist, under the title "The Progress of Inflation and 'Freezing' of Assets in the National Banks," by Ralph West Robey, may have given rise to this statement. Mr. Robey states that:

".....the inefficient and unwise management of our Reserve System has made it possible for the commercial banks of our country, first, to decrease the proprietary protection to depositors, which becomes especially important in case of forced liquidation, and secondly, to increase the possibility of such forced liquidations, by permitting their portfolios to become less liquid without making the necessary capital adjustments to offset the decreasing liquidity."

In a concluding article in the March 6 issue of The Annalist, Mr. Robey gives as his solution of the problem, from the standpoint of amendment of existing law, the regulation of the amount of securities and paper of certain defined types that may be acquired by a member bank.

The particular point you asked me to look into was whether, if we now had to operate under the old National Bank Act, with a provision for an elastic currency along the lines of the Aldrich-Vreeland Act, the member banks could borrow a sufficient amount to take care of their present currency and other requirements.

On the basis of member bank deposits as of December 31, 1930, we find that if the Federal Reserve System were discontinued, and all member banks were to operate under national charters and carry the same percentage of vault cash as national banks were required to carry prior to 1914, they would be compelled to carry \$5,300,000,000 of cash in vault. This amount is nearly equal to the country's entire stock of gold, standard silver dollars and U. S. notes combined. On December 31 member banks held only \$593,000,000 of vault cash. Obviously the member banks could not accumulate the required amount of cash in their vaults unless some provision were made for the issuance of additional currency, inasmuch as only about \$1,500,000,000 could be obtained from the Federal reserve banks, i.e., the excess of the Federal reserve bank cash holdings, \$3,161,000,000, over their liability on Federal reserve notes in circulation, \$1,663,000,000.

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Under the Aldrich-Vreeland Act, as adopted in 1908, national banks were permitted to form national currency associations, through which they could obtain additional National currency against the deposit of acceptable securities including commercial paper. Since the establishment of the Federal Reserve System member banks have at all times held a sufficient volume of paper and securities to enable them to obtain from such associations enough currency to take care of all their requirements. However, under the Aldrich-Vreeland Act, the liability to the national currency associations for currency thus obtained was not treated as borrowed money, but was shown separately in published statements as a liability on National currency. Under the Federal Reserve Act member banks borrow from the Federal reserve banks for two purposes: (a) to maintain required legal reserves, and (b) to obtain currency. While liabilities thus incurred are shown in published statements as borrowed money, they are exempt from the capital stock limitation on borrowings. Before the establishment of the Federal Reserve System cash in vault counted as reserves, consequently currency obtained from national currency associations served the same purposes as credit extended by the Federal reserve banks, whether in the form of Federal reserve notes and/or deposit credit.

If the provisions of the National Bank Act as relates to vault cash were to be reestablished, our money in circulation (i.e., all money held by the banks or the public) would go up from about \$4,500,000,000 to about \$9,200,000,000, an increase of \$4,700,000,000, which would represent the increase in vault cash carried by member banks. The question of expansion and contraction by the banks could be regulated by the amount of the tax on National currency, as it is now regulated more or less by changes in the discount rates of the Federal reserve banks. If the rates were to be as high as provided by the June 30, 1914 amendment to the Aldrich-Vreeland Act -- 6 per cent, it would, of course, tend to keep the amount of currency down to a minimum and would probably influence the banks materially in granting additional credit. If, however, some board was given authority to raise or lower the rate according to current business conditions, the banks would probably be in a position to conduct their operations approximately the same as they do now. In other words, if we are to have an elastic currency, the cost of that currency is going to play an important part in credit conditions throughout the United States.

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CONFIDENTIAL

Not for publication

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## EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, FEBRUARY 1931

Federal Reserve Bank	Month of February 1931					February 1931		1931		January - February 1931		
	Earnings from					Current expenses		Current net earnings		Current net earnings		Available for reserves, surplus and franchise tax*
	Dis-counted bills	Pur-chased bills	U. S. secu-rities	Other sources	Total	Exclusive of cost of F.R.Currency	Total	Amount	Ratio to paid-in capital	Amount	Ratio to paid-in capital	
									Per cent		Per cent	
Boston	\$21,023	\$10,968	\$79,550	\$5,233	\$116,774	\$148,329	\$160,333	-\$43,559	-	-\$57,100	-	-\$175,886
New York	74,243	51,290	319,191	8,657	453,381	521,369	565,055	-111,674	-	15,466	.1	- 211,139
Philadelphia	65,679	5,098	93,238	1,147	165,162	147,946	165,423	-261	-	29,717	1.1	- 143,946
Cleveland	54,998	13,327	109,175	15,338	192,838	201,730	217,779	-24,941	-	14,118	.6	- 172,729
Richmond	49,427	4,153	29,206	5,040	87,826	115,353	115,882	-28,056	-	-86,137	-	- 144,789
Atlanta	53,728	8,717	15,713	4,840	82,998	105,830	114,312	-31,314	-	-28,687	-	- 82,338
Chicago	50,838	20,493	166,795	31,479	269,605	289,061	308,281	-38,676	-	26,837	.8	- 175,102
St. Louis	21,633	5,965	55,354	4,294	87,246	107,682	108,180	-20,934	-	-29,705	-	- 79,603
Minneapolis	10,678	3,625	54,978	500	69,781	74,135	79,045	- 9,264	-	673	.1	- 31,184
Kansas City	37,092	6,267	55,026	23,523	121,908	134,291	137,323	-15,415	-	-15,245	-	- 56,472
Dallas	16,763	4,167	59,932	1,621	82,483	105,332	109,256	-26,773	-	-33,617	-	- 77,489
San Francisco	37,605	10,736	78,780	5,254	132,375	181,196	182,849	-50,474	-	-86,997	-	- 202,659
TOTAL												
February 1931	493,707	144,806	1,116,938	106,926	1,862,377	2,132,254	2,263,718	-401,341	-			
January 1931	667,159	337,428	1,355,698	121,952	2,482,237	2,187,698	2,331,573	150,664	1.0			
February 1930	1,329,914	880,658	1,339,564	171,934	3,722,070	2,195,030	2,368,916	1,353,154	10.3			
Jan.-Feb. 1931	1,160,866	482,234	2,472,636	228,878	4,344,614	4,319,952	4,595,291	-250,677	-	-250,677	-	-1,553,336
1930	3,370,555	1,998,453	2,830,384	364,088	8,563,480	4,433,838	4,768,076	3,795,404	13.7	3,795,404	13.7	2,057,811

FEDERAL RESERVE BOARD

DIVISION OF BANK OPERATIONS

MARCH 13, 1931.

\*After making allowance for accrued dividends and current debits and credits to profit and loss account but not for profit or loss on sales of U. S. securities held in special investment account.

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A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, March 17, 1931, at 3:00 o'clock, p. m.

PRESENT: Governor Meyer  
Mr. Hamlin  
Mr. James  
Mr. McClelland, Assistant Secretary.

The Assistant Secretary presented various matters which were considered by the Committee and acted upon as follows:

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of San Francisco of employees for whom the directors of that bank authorized leaves of absence with pay, on account of illness, during the month of February, where the total of such absences since January 1, 1931 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated March 12th from Deputy Governor Gilbert of the Federal Reserve Bank of New York, submitting a proposed change in the personnel classification plan of the bank covering the salary range of the position of Junior Clerk in the Legal Department; the Board's Committee recommending approval.

Approved.

Letter dated March 14th from the Acting Director of the Bureau of Engraving and Printing, advising that on account of the Saturday half holiday act of March 3, 1931, increasing the non-productive time of employees of the Bureau with full pay by 17 1/2 days a year, the cost of producing Federal Reserve notes has been increased \$3.00 per thousand sheets, necessitating an increase in the charge for notes, effective March 1, 1931, from

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\$92.45 to \$95.45 per thousand sheets.

Noted.

Memorandum from Counsel dated March 6th, submitting draft of a letter to Messrs. Shearman and Sterling, attorneys for the National City Bank of New York, in reply to an inquiry whether it is necessary for that bank, which has been authorized to exercise trust powers, to make application to the Board for specific permission to transact trust business at any of its branches in Porto Rico; the proposed reply advising that such an application should be filed and that it may be made through an informal letter, setting forth the branches at which it is proposed to engage in trust business and which of the trust powers specified in the Board's permit to the bank it is proposed to exercise at such branches. In the proposed letter it was also stated that when the consent of the Board has been obtained, the trust powers specified may be exercised by the designated branch or branches if not in contravention of the local law and must be so conducted as to comply in all respects with the applicable provisions of the local law, as well as the applicable provisions of the Federal Reserve Act and the Board's Regulations.

After discussion, upon motion, the letter submitted by Counsel was approved.

Letter dated March 14th from the Federal Reserve Agent at Kansas City with further reference to possible violations of the provisions of Section 5209 by The State Bank, Winfield, Kansas; the Federal Reserve Agent expressing the opinion that certain incorrect reports made by the member bank were not made with such an intent to deceive, injure or defraud as is contemplated by Section 5209, and that since the management of the bank has had the matter called forcibly to its attention, both by the State Banking Department

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and the Federal Reserve Bank, no further cause will be given for criticisms of this nature.

After discussion, upon motion, it was voted that no report be made to the Attorney General of the United States regarding the matters referred to.

Memoranda from Counsel dated March 9th and 11th, with regard to reporting to the Attorney General of the United States the action of Mr. Herbert Wilson, a former employee of the Nashville Branch of the Federal Reserve Bank of Atlanta, handling notarial work of the branch, in failing to report notarial fees in the amount of \$54.00 received by him, as a result of which he received in salary from the Federal Reserve Bank \$54.00 more than he was entitled to receive under an arrangement between him and the bank.

After discussion, upon motion, it was voted not to make a report of this matter to the Attorney General of the United States.

Memorandum from Mr. Hamlin with regard to the matter referred to him at the meeting on March 11th, namely, correspondence with the Federal Reserve Agent at Dallas on the question whether the Citizens State Bank of Memphis, Texas, is carrying shares of its own stock as security for a loan in violation of the provisions of Section 9 of the Federal Reserve Act; Mr. Hamlin suggesting that the Board request further information before taking action, since in one communication addressed to the Federal Reserve Bank of Dallas, the President of the Citizens State Bank of Memphis states that the stock in question is being held as collateral to a loan made by the bank to an estate of which he is administrator, and in another letter advises that the stock is held by him as administrator of the estate and not as President of the bank.

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After discussion, upon motion, it was voted to advise the Federal Reserve Agent at Dallas that the question whether or not the Citizens State Bank of Memphis, Texas, is violating the law depends on whether it is holding the stock referred to as collateral to its loan; that the Board cannot make a ruling with the conflicting information before it, and that the Federal Reserve Agent will have to determine whether or not the law is being violated on the basis of the facts as they exist.

REPORTS OF STANDING COMMITTEES:

Dated, March 16th Recommending changes in stock at Federal Reserve Banks,  
17th as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.

The meeting adjourned at 3:35 p. m.

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Assistant Secretary

Approved:

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Governor

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