The Papers of Charles Hamlin (mss24661)

364_08_001-	Hamlin, Charles S., Scrap Book – Volume 216, FRBoard Members

205.001 - Hamlin Charles S
Scrap Book - Volume 216
FRBoard Members

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 5, 1941

To The Files

Subject:

From Mr. Coe

MPC.

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 216 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 216

Page 9
Bank of England Credit - Data on.

Page 38
Earnings & Expenses of F.R. Banks, June 1931.

Page 39
Earnings & Expenses of F.R. Banks, June 1931.

Page 55
Memo to Mr. Hamlin from Mr. Wyatt re Special Condition re Loans to R. Caldwell and A. B. Banks by American Exchange Trust Company, Little Rock, Arkansas.

Page 79
Letter to Mr. Hamlin from Carter Glass re F.R. Banks guaranteeing foreign bank credits or buying foreign finance bills under the guise of prime short-time commercial bills.

Page 109
Memo to Mr. Hamlin from Mr. Goldenweiser re foreign acceptances.

See BH

Bank of England Credit.

1925, January 8:

Governor Crissinger told C.S.H. he had seen Governor Norman in New York Monday; that he sought the cooperation of the banks of the United States and the Federal reserve banks in bringing the pound sterling up to par, and help her in repeal of the prohibition on gold exports; that if not done now, it might be a long time before it could be done; that a loan of 500 millions would have to be placed in the United States; that he wanted credits in the Federal reserve banks of say 250 millions, either by buying sterling bills or by loaning or selling gold; that he wanted the Federal Reserve Board to approve such credits.

Governor Norman said that Holland and the Scandinavian nations were willing and prepared to go back to the gold basis; that Spain was in a bad way, and that Turkey and Russia were hopeless; that he further told Governor Crissinger that he hoped the Federal Reserve Board and banks would keep rates stable; that he had no objection to our raising rates, but merely wanted to be kept in close touch with our movements; that it was essential for our rates to be below those of the Bank of England to protect their gold and parity; that Great Britain would be willing to go up to 7% if necessary.

Governor Crissinger said Governor Norman said he asked no agreement but merely a voluntary assurance that we believed it desirable for sterling to rise to par and remain there, and he hoped we would help Great Britain by future credits if the necessity arose.

C.S.H. told Governor Crissinger he believed that from the selfish point of view of the people of the United States, the pound sterling should go to par, and that, without making any pledge or promise, he would gladly approach the problem in a sympathetic way and cooperate in every lawful way.

Governor Crissinger said Secretary Mellon was very strongly in favor of doing this, and also Dr. Miller, with whom he had talked.

Governor Crissinger said there was some doubt whether Secretary Mellon would consult the State Department, but C.S.H. said this was a political as well as a banking matter, and that the State Department should be informed and its consent secured.

10 Diaries, page 45.

1925, January 10:

Governor Crissinger met Governor Norman at the meeting of the Open Market Committee in New York.

10 Diaries, page 45.

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VOLUME 216
PAGE 9

1925, January 10:

Governor Strong before the Board:

Said that Governor Norman came over for an informal talk with him as to the desirability of Great Britain resuming gold payments and being put on the gold standard; that he would have liked to consult with the Board at Washington, but this would have given an official tinge to his visit; that he felt that if the present opportunity were not availed of, it might be a long time before an opportunity would come again; that Governor Norman wanted to know something of the policy of the Federal Reserve System as to the future before he could advise Great Britain to commit itself to the new step; that he asked for and expected no agreement or contract, but merely a frank interchange of opinion; that he felt that if Great Britain should adopt the gold standard and any sudden change of policy should be made by the Federal Reserve System, it would be very injurious to Great Britain; that all he hoped for was an expression of opinion as to the policy of the Federal Reserve Board as to either inflation or deflation for the future; that he hoped it favored general stability with a view to avoiding sudden fluctuations, either up or down, of discount rates; that he hoped that if speculative conditions should become manifest, the Board would take the matter in hand and act decisively so as to avoid sudden, large increases of discount rates in the future, necessitated by permitting such speculative conditions to continue for an inordinate time before correction; that if such conditions arose, he would prefer to have the Federal Reserve Bank of New York increase discount rates from 3 to 4%, rather than to 3½%; that Great Britain must keep its official discount rate higher than the rates in the United States, in order to hold the gold standard, if it adopted it; that Great Britain might need to place 500 millions of its bonds in the United States in order to have ample funds for exchange purposes; that it would be necessary for the Federal Reserve banks to give the Bank of England gold credits for, say, 200 millions, and possibly more later.

Governor Strong said it might be necessary for the Federal reserve banks to give small credits to Switzerland and Holland.

In reply to a question from C.S.H., Governor Strong said that from the purely selfish interest of the United States, the return of the gold standard by Great Britain and the continent, would be of the greatest advantage, preventing fluctuations in exchange and stimulating our export trade, thus greatly helping agriculture and commerce.

Cunningham asked if this meant pegging of prices of commodities up or down.

C.S.H. said No; that it merely meant stabilizing of credits without direct reference to prices.

Governor Strong said all he asked was that he, as Governor, could make a moral commitment that the Federal reserve banks would furnish the Bank of England with 200 millions of gold credits if it should need it, to be secured by obligations of the British Government, or by prime trade bills.

The Board favored such a moral commitment and so told Gov. Strong.

Gov. Crissinger and Platt met Governor Norman at an Open Market Committee meeting in New York yesterday, and Governor Crissinger told C.S.H. he also met him in New York last Monday.

The Board voted to offer no objection to entering into this moral commitment, unanimously, the other Federal reserve banks to be allowed to participate. No account of this in Board records but other business done shows that all the Board was present except Comptroller, and he may have been when agreement was made.

We all agreed, and were advised by Harrison and our Counsel that we could give such a credit under Section 14 of the Federal Reserve Act, through:

1. Buying, selling, or loaning gold.
2. Appointing correspondents and opening accounts with them.
3. Purchasing and selling bills of exchange.

Sec. Mellon was present and strongly favored the moral commitment.

10 Diaries, 158 to 160.

1925. April 20. agreement signed.

1925, May 18:

Board meeting called at 3 p.m. to ratify the action of the Board, - not spread on the records, - on January 10, 1925, in favoring the moral commitment as to providing 200 millions of gold credits for the Bank of England, by sale of gold or otherwise.

Gov. Strong and Harrison were also present.

After discussion, the Board voted unanimously to ratify it, except that Dr. Miller insisted on being recorded as not voting, and said he would file a memorandum later.

Gov. Crissinger told C.S.H. that Dr. Miller told him he favored this commitment, and C.S.H. remembers no word of dissent from him at this or any previous meeting.

Secretary Mellon was present and strongly favored the commitment.

10 Diaries, 160.

1925, May 19:

Letters between Gov. Norman and Gov. Strong read, and a copy of the agreement filed.

Dr. Miller stated, in explanation of his request to be recorded as not voting, that while he approved of the purpose which had led the Federal Reserve Bank of New York to enter into a working arrangement with the Bank of England in connection with the reestablishment of a free gold market in London, he could not approve of the particular form of credit arrangement authorized by the Board, and was not therefore able to vote for the approval of the resolution.

1925, October 13:

Gov. Strong tells Board he is to have a conference with Gov. Norman in N. Y. tomorrow.

11 Diaries, 198.

1925, November 25:

Gov. Strong explains to Board the condition of the Belgian franc; that the Banks of England, Switzerland, and Holland had agreed to buy trade bills and bankers acceptances, guaranteed for payment in the currencies of the loaning bank, by the National Bank of Belgium; that bankers in the United States were expected to buy 100 millions to be guaranteed payable in dollars; that the Belgian Finance Minister would write a letter that Belgium would not prevent the exportation of gold to make payments, if necessary; that renewals would be permitted but the whole transaction would be closed within one year.

Gov. Strong asked authority, in behalf of the System, to buy 5 millions of these bills, with the further authority, not to be made public, to buy 6 millions more, if necessary, as a maximum; that his directors unanimously favored this.

C.S.H. moved that the Board would interpose no objection.

Cunningham desired to put the matter over until the next meeting, but Governor Strong said quick action was necessary, as he might have to take action Friday morning. Cunningham then reluctantly withdrew his request for delay.

The Board unanimously voted in favor, except that Dr. Miller said the form of guaranty must be submitted to the Board for approval.

Sec. Mellon pointed out that Governor Strong could be trusted to secure a proper guaranty. Dr. Miller withdrew his objection, and the vote was unanimous.

11 Diaries, 199, 200.

1925, December 1:

Gov. Strong tells Board that Belgium will probably be able to issue 100 millions within a month, as the budget difficulties were being cleared up.

11 Diaries, 201.

1925, December 31:

Gov. Strong appeared before the Board with Governor Norman.

1925, December 31 (Cont'd.)

Told of conditions in England.

He said that prices had fallen but slightly since the adoption of the gold standard, but that sooner or later, they must fall.

He said the Belgian situation was caused by Belgium taking over the francs issued by Germany during the occupation.

He said he did not favor a controlled gold standard; that this was good only for poor countries, and that he hoped Austria and Hungary would soon adopt a real gold standard.

11 Diaries, 163.

<u>1926, March 8:</u>

The Board voted authority to Federal Reserve Bank of New York to buy 15 millions of bills from the National Bank of Belgium, along the lines of an amended credit agreement which he explained, filing a copy of a cable from Governor Norman and of his reply, - the final details to be subject to approval of the Board.

11 Diaries, 203.

<u>1926, October 5:</u>

Governor Harrison asked Board to approve the joining by the Federal Reserve Bank of New York with the Bank of England and other central banks of Europe in an agreement to give credits to the Bank of Belgium for one year, the Federal Reserve Bank of New York to agree to buy prime bills indorsed by the Bank of Belgium up to a certain limited amount, the Bank of Belgium agreeing to ship gold, if necessary, in payment, and the Belgian Government to agree to permit the gold to be shipped.

This agreement was conditional on Belgium obtaining a private bankers credit of 75 millions to the Belgian Government which it would pay to the Bank of Belgium in reduction of its liability.

A commission of $\frac{1}{2}$ of 1% was to be paid by Belgium for the credit and the rate charged for purchasing the bills was to be 1% over the rate of the Federal Reserve Bank of New York, but with a minimum of 5%.

A cable from Jay was read giving the full terms of the proposed agreement.

C.S.H. moved approval.

Dr. Miller and Governor Crissinger objected to any commission being charged.

1926, October 5 (Cont'd.):

C.S.H. then added a paragraph to his motion that the Board, without imposing it as a condition of its approval, expressed the hope that the Federal Reserve Bank of New York would not charge a commission.

Dr. Miller moved to substitute a direct disapproval of any commission.

Lost by a tie vote:

Aye: Gov. Crissinger, James, Cunningham, Dr. Miller
No: Sec. Mellon, C.S.H., Platt, Comptroller

C.S.H.'s motion of approval was then put.

Lost by a tie vote:

Aye: Sec. Mellon, C.S.H., Platt, Comptroller
No: Gov. Crissinger, Miller, James, Cunningham

Platt then presented a motion similar to C.S.H.'s, but adding at the end that the Board desires to have the Federal reserve bank endeavor to revise the agreement as to the commission as the Board does not consider a commission charge on the purchase of a bill indorsed by a central bank as consistent with the Federal Reserve Act or its principles. The bill, however, was not put or intended as a condition of approval.

The Board finally voted to approve Platt's motion.

Governor Harrison, later in the afternoon, told C.S.H. he had cabled Jay that the Board's expression as to the commission was not a condition of approval.

This was clearly correct.

12 Diaries, 5.

1926, October 19:

Governor Harrison came before Board pointing out a misunderstanding as to the Belgian agreement; that the minimum rate was 6% and not 5%, and his directors asked the Board's approval of a 6% minimum rate.

Governor Harrison reported that his directors had tried to have the commission omitted, but had not succeeded, but that they would collect the commission in the first instance but would rebate it up to the time of the expiration of the British credit, on which no commission had been charged.

1926, October 19 (Cont'd.)

Platt moved to approve the 6% minimum rate.

Dr. Miller and James objected to this rate.

Secretary Mellon said he knew all the circumstances leading up to this agreement; that the central banks had reached a satisfactory accord with the Bank of Belgium; that neither the 6% rate nor the commission were unreasonable; that they were helpful to Belgium, for Belgium would have to increase rates at home (now nominally 7% but really about 6%) to prevent speculation after the return of Belgian capital which stabilization would bring about.

C.S.H. said the transaction was a Belgian transaction, the terms most satisfactory to Belgium, the agreement both as to rates and commissions was a reasonable one in connection with such an important transaction as stabilizing the currency; that the mere fact that the Federal Reserve System was so prosperous was no reason for giving a lower rate than the other central banks are to receive; that giving such a lower rate would be looked on as a feeling that the central banks did not know how such agreements should be made, and might be resented by them; that fixing a lower rate than that which Belgium was glad to pay would in effect be a gift to the private stockholders of the Bank of Belgium, - 1% on 10 millions of dollars.

Platt's motion was lost:

Aye: Sec. Mellon, C.S.H., Platt
No: Governor Crissinger, Miller, Cunningham and James

The Comptroller was absent.

12 Diaries, 5, 6.

1926, October 20:

The minutes were read of the Board action as to the Bank of Belgium loan.

Dr. Miller asked to have the records modified so that it would appear, which he said was the fact, that the Board had merely considered the giving of authority to the Federal Reserve Bank of New York to buy Belgian bills.

Dr. Miller said he would never agree to a Federal reserve bank joining a consortium of European central banks in a stabilization agreement.

1926, October 20 (Cont'd.)

C.S.H. pointed out that we had in fact done just this, as was shown by the reference in our records to Jay's cable to the Federal Reserve Bank of New York.

12 Diaries, 7.

1927, January 5:

Mr. Reyburn, director of the Federal Reserve Bank of New York, explained the attitude of his directors in charging a commission on bills bought from the Bank of Belgium, which commission was to be refunded up to the expiration of the Bank of England credit, on which no commission was charged.

Dr. Miller said he was opposed to any commission in a desire to help Belgium.

13 Diaries, 4.

1927, March 11:

Harrison came before the Board, and stated that his directors had considered plans for a loan to Poland by the central banks of Europe, and a possible credit to the Polish National Bank by the Federal Reserve Bank of New York.

He stated that the representative of the Polish Government and Bank did not want a loan conditioned on their being put under the League of Nations, as they were proud and felt it would be a reflection, as the League of Nations had under its charge only bankrupt and defeated nations.

Harrison said the plan talked over with the Federal Reserve Bank provided for an international commission instead of the League of Nations; that his directors wished him to go over and consult with Governor Norman and Mr. Schacht and others; that he would not in any way commit either his board or the Federal Reserve Board; that he would not present the plan as that of the Federal Reserve Bank of New York, but would merely discuss it and report.

He further stated that all that Poland wanted was about 75 millions; that she was in good condition and had a plan which he briefly outlined for stabilization of her currency; that both the Polish representatives and the Federal Reserve Bank of New York felt that the loan or credit they might be called upon to give should be for the purpose of stabilization.

He also stated that Dillon & Company, formerly representing Poland, 1927, March 11 (Cont'd.)

had been dismissed, and that a number of New York banks, especially the Guaranty Trust Company were now acting for Poland; that Dillon was offering Poland all she wanted without any stabilization conditions.

Only Governor Crissinger, Dr. Miller, and C.S.H. were present.

Harrison said Secretary Mellon strongly favored his going.

C.S.H. said he favored it on the assumption that no meeting of minds would occur if the League of Nations opposed the idea of an international commission instead of the League of Nations.

Harrison said this was so; that all he would say, e.g. to Governor Norman would be that this plan had been suggested and that he saw no objection to it if Governor Norman (who, he said, rather favored League of Nations control) and the others had no objection to it.

Harrison said the reason for talking it over was that any plan might lead up to an ultimate request for some credit from the Federal Reserve Bank of New York to the Bank of Poland.

The Board discussed this all the morning, and again all the afternoon.

Governor Crissinger was opposed for fear we were injecting ourselves into a delicate international situation.

C.S.H. thinks Dr. Miller is opposed.

C.S.H. said that stabilization would help our trade with Poland which buys a very large amount of cotton from the United States.

Finally Governor Crissinger and Dr. Miller insisted on Harrison writing the Board a letter to be taken up next Wednesday when Mr. James returns.

Harrison later called up C.S.H. and said that Secretary Mellon was disturbed at the opposition and would be at the meeting next Wednesday.

13 Diaries, 122, 123, 124
(Numbers refer to original diary)

1927, March 16:

Harrison came before the Board again and went over the Polish matter for the benefit of Mr. James. C.S.H. moved that the Board would interpose no objection to the credit.

Lost:

Aye: C.S.H., Platt
No: Gov. Crissinger, Miller, James

Mr. James said the Board should affirmatively approve or disapprove.

Secretary Mellon then came in, and he strongly approved Harrison's proposed visit.

Dr. Miller suggested merely writing a letter to the Federal Reserve Bank of New York setting out the difficulties in the minds of some of the members.

C.S.H. asked if the letter would be affirmative or negative, and Dr. Miller replied "Neither."

C.S.H. then asked if Dr. Miller would agree to have a vote to the effect that the Board interposes no objection, but adding the suggestion of the difficulties felt by some members, but Dr. Miller would not agree to this.

C.S.H. said that the Board had given Mr. McGarrah in Germany the power to act as to the salary of the President of the Reichsbank, removal of the President, the control of note issues, etc., but had hesitated to give Harrison the power to either act or to think as regards Poland.

Finally Platt moved to approve the action of the directors in proposing to send Harrison abroad, on the understanding that no commitment would be made. This was carried:

Aye: Sec. Mellon, Gov. Crissinger, Dr. Miller, Platt, C.S.H.
No: James

Secretary Mellon asked James why he objected, and he replied that he feared that west of the Mississippi River the farmers would criticize us for helping to stabilize Polish currency when we refused to help stabilize prices of our farm products.

C.S.H. pointed out that Poland buys much cotton of us, and that stabilization of Polish currency would be a direct help to every cotton producer.

13 Diaries, 130, 131.
(Pages refer to original diary)

1927, April 25:

Harrison came before the Board, having returned from his trip abroad in connection with the proposed credits of the central banks to the Polish bank.

He stated that Governor Norman thought the plan excellent, and raised no objection to its not being done through the League of Nations; that he felt it vitally important for Poland to stabilize now at a time when she was willing to do so; that his only conditions were that the matter of extending the advisers term beyond the proposed three years be left to some arbitrator, and that the matter should be settled wholly apart from any political questions.

Harrison said he had talked with Governor Moreau of the Bank of France, in Paris; that he took the same view, especially as regards political questions.

Harrison stated that he then saw Schacht in Berlin, who took precisely the same view, and stated that Germany had very large exports to Poland and he felt that stabilization was vital.

Harrison stated that he then, in compliance with their request, arranged a meeting of all in a little hotel in Calais, as Gov. Norman did not want to go to Paris nor Governor Moreau to go to London; that they met there and that Schacht and Governor Moreau met for the first time; that they all, except Harrison, agreed they would give credits to the Bank of Poland if the bank asked for them.

Harrison stated that he saw Gilbert in Berlin, who thought Polish stabilization was very advisable.

Harrison said he then saw representatives of the Bank of Poland in London; that they said that all the Cabinet had initialled the proposed plan for a credit, although the President would not for some time, because of hesitation to agree to stabilization, because Poland could get credits in New York without any such agreement, quoting Dillon and Governor Harding to this effect; that it was pointed out to him that his efforts failed two years ago, and that another failure would injure France, and that he finally consented.

Harrison said that the Poles are to bring up the matter formally soon.

Harrison stated that one reason for the Poles not wishing to be placed under the League of Nations was that they felt Great Britain dominated the Finance Committee.

Harrison said Poland wanted an American to go on the Expert Committee and hoped to get Dwight Morrow.

Gov. Crissinger, C.S.H., James, Cunningham, and later Dr. Miller were present.

13 Diaries, 153, 154, 155.
(Pages refer to original diary)

1927, June 6:

Mr. James said that a commission on Polish credit would not be consistent with the Board's expression of opinion on the credit to the Bank of Belgium.

C.S.H. pointed out that the Bank of England credit was in essence a sale of gold, made independently of other European central banks, while in the Belgian and Polish credits, the agreement was made in conjunction with other central banks, and the commission was a part of the joint agreement.

1927, October 1:

Governor Frank, of the National Bank of Belgium, told C.S.H. at Dr. Miller's lunch that although he could not say it was a fixed custom to charge commissions for such credits as the Belgium credit, yet that Belgium was very willing to pay it.

14 Diaries, p. 11.

1927, October ~~12~~: 13

The Board voted to approve a 10 millions credit for the Bank of Netherlands. Cunningham alone voted No. up to 10 million guilders

14 Diaries, p. 11.

Present Gov. Platt CSH James
Cunningham.

1928, April 2:

Board states it would join Roumanian credit only if the Federal Reserve Bank of New York would arrange with the Bank of France a guarantee as to a satisfactory stabilization plan, which the Federal Reserve Bank of New York declined to undertake.

14 Diaries, p. 9.

C.S.H. points out that the dispute between the Bank of England and the Bank of France grew out of the fact the Bank of England wanted the League of Nations to supervise the Roumanian stabilization plan; that the question seemed to involve one of balance of power.

14 Diaries, p. 9.

1928, April 3:

Harrison denies any dispute between Bank of England and Bank of France as to Roumanian stabilization; that their relations were most cordial; that the Bank of England had not declined to join the Roumanian syndicate, but, on the contrary, had agreed to join on condition that the Federal Reserve Bank of New York became responsible for a satisfactory stabilization plan, which his bank refused to undertake; that he thought the Bank of England ultimately would come in.

14 Diaries, p. 9.

C.S.H. feared that the Board by accepting without conditions, might be put in apparent position of siding with the Bank of France against the Bank of England. C.S.H. said he accepted Harrison's statement that there was no controversy but merely a present disinclination on the part of the Bank of England to join unless the Federal Reserve Bank of New York would accept responsibility for a satisfactory stabilization plan. C.S.H. said that for the Board to impose a condition that it would join only if the Bank of England would, would be tantamount to a statement that the Board would follow the Bank of England and allow its policy to be guided by it, which would expose the Board to censure.

14 Diaries, p. 9.

1928, April 4:

Dr. Miller objected to the Roumanian credit agreement on the ground that the Federal Reserve Bank of New York would be bound by the decision of the Bank of France, both as to the stabilization loan and the syndicate agreement.

1928, April 4 (Cont'd.)

C.S.H. then proposed two questions to Harrison, both of which he answered in the affirmative:

1. Could the Federal reserve bank after entering the arrangement decline to go on for reason that syndicate plan was not satisfactory?

2. Could the Federal Reserve Bank, after entering the agreement, decline on the ground that the stabilization agreement with the Bank of France worked out was not satisfactory to it?

The Board then voted to approve the negotiations between the Federal Reserve Bank of New York and the Bank of France.
Miller and James voted No.

14 Diaries, p. 10.

1928, April 6:

Dr. Miller filed a statement explaining his vote, stating that the Board had practically assumed responsibility for a satisfactory stabilization agreement, and had abdicated to the Bank of France.

C.S.H. replied that the records show that the Federal Reserve Bank of New York expressly refused responsibility for a stabilizatinn plan, and that it reserved the right to withdraw from the syndicate agreement, (a) if it does not approve the stabilization plan as finally adopted, and (b) if it does not approve details of the syndicate agreement.

14 Diaries, 10.

1929, June 6:

Board voted to approve the purchase of not over 5 millions of bills endorsed by the Bank of Hungary.

Dr. Miller voted No on the ground that it was not clear that the Government of Hungary had agreed to permit the exportation of gold to pay these bills, if necessary.

The Board felt this could be left to the judgment and discretion of the New York bank directors.

16 Diaries, p. 162.

1929. June 26
Credit to Nat bank of Hungary
Not over 5 millions; 1 year.
James + Miller. No.

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See Bk

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EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, JUNE 1931

Federal Reserve Bank	Month of June 1931									January - June 1931		
	Earnings from					Current expenses		Current net earnings		Current net earnings		Available for reserves, surplus and franchise tax*
	Discounted bills	Purchased bills	U. S. securities	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	$20,415	$13,806	$57,999	$16,277	$108,497	$150,157	$151,089	-$42,592	--	-$279,808	--	-$640,237
New York	41,839	35,014	206,988	152,551	436,392	512,939	520,133	-83,741	--	-536,476	--	-1,785,164
Philadelphia	49,562	835	70,562	20,796	141,755	151,011	151,926	-10,171	--	-67,900	--	-540,081
Cleveland	38,636	11,803	93,908	34,181	178,578	202,438	204,252	-25,674	--	-145,555	--	-657,440
Richmond	50,265	3,581	37,067	14,670	105,583	115,218	115,724	-10,141	--	-237,243	--	-415,127
Atlanta	31,529	8,331	29,461	13,221	82,542	100,447	101,518	-18,976	--	-166,824	--	-326,772
Chicago	35,223	14,633	143,530	47,849	241,285	274,973	293,374	-52,089	--	-154,544	--	-745,710
St. Louis	15,952	6,869	41,290	12,808	76,919	110,018	111,492	-34,573	--	-158,451	--	-250,671
Minneapolis	12,154	4,920	46,534	5,267	68,875	72,687	73,423	-4,548	--	-25,925	--	-123,508
Kansas City	32,834	6,947	41,699	27,562	109,042	133,737	134,236	-25,194	--	-125,244	--	-255,303
Dallas	26,771	4,312	48,746	7,746	87,575	98,828	99,077	-11,502	--	-99,302	--	87,552
San Francisco	52,739	9,836	80,091	18,924	161,590	185,554	187,114	-25,524	--	-253,924	--	-603,590
TOTAL												
June 1931	407,969	120,887	897,925	371,852	1,798,633	2,108,007	2,143,358	-344,725	--			
May 1931	382,528	164,077	986,394	116,874	1,649,873	2,117,429	2,248,925	-599,052	--			
June 1930	774,374	300,512	1,478,168	435,320	2,988,374	2,180,985	2,243,376	744,998	5.3			
Jan.-June 1931	2,759,704	1,155,891	6,480,513	939,946	11,336,054	12,787,672	13,587,250	-2,251,196	--	-2,251,196	--	-6,256,051
1930	6,729,131	4,241,485	8,913,207	1,260,046	21,143,869	13,215,123	14,574,937	6,568,932	7.7	6,568,932	7.7	1,853,286

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
JULY 14, 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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C O N F I D E N T I A L
Not for publication

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EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, JUNE 1931

Federal Reserve Bank	Month of June 1931									January - June 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	$20,415	$13,806	$57,999	$16,277	$108,497	$150,157	$151,089	-$42,592	--	-$279,808	--	-$640,237
New York	41,839	35,014	206,988	152,551	436,392	512,939	520,133	-83,741	--	-536,476	--	-1,785,164
Philadelphia	49,562	835	70,562	20,796	141,755	151,011	151,926	-10,171	--	-67,900	--	-540,081
Cleveland	38,636	11,803	93,908	34,181	178,578	202,438	204,252	-25,674	--	-145,555	--	-657,440
Richmond	50,265	3,581	37,067	14,670	105,583	115,218	115,724	-10,141	--	-237,243	--	-415,127
Atlanta	31,529	8,331	29,461	13,221	82,542	100,447	101,518	-18,976	--	-166,824	--	-326,772
Chicago	35,223	14,633	143,580	47,849	241,285	274,973	293,374	-52,089	--	-154,544	--	-745,710
St. Louis	15,952	6,869	41,290	12,808	76,919	110,018	111,492	-34,573	--	-158,451	--	-250,671
Minneapolis	12,154	4,920	46,534	5,267	68,875	72,687	73,423	-4,548	--	-25,925	--	-123,508
Kansas City	32,834	6,947	41,699	27,562	109,042	133,737	134,236	-25,194	--	-125,244	--	-255,303
Dallas	26,771	4,312	48,746	7,746	87,575	98,828	99,077	-11,502	--	-99,302	--	87,552
San Francisco	52,739	9,836	80,091	18,924	161,590	185,554	187,114	-25,524	--	-253,924	--	-603,590
TOTAL												
June 1931	407,969	120,387	897,925	371,852	1,798,633	2,108,007	2,143,358	-344,725	--			
May 1931	382,528	164,077	986,394	116,874	1,649,873	2,117,429	2,248,925	-599,052	--			
June 1930	774,374	300,512	1,478,168	435,320	2,988,374	2,180,985	2,243,376	744,998	5.3			
Jan.-June 1931	2,759,704	1,155,891	6,480,513	939,946	11,336,054	12,787,672	13,587,250	-2,251,196	--	-2,251,196	--	-6,256,051
1930	6,729,131	4,241,485	8,913,207	1,260,046	21,143,869	13,215,123	14,574,937	6,568,932	7.7	6,568,932	7.7	1,853,286

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
JULY 14, 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.

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Sec Bk

Date July 16, 1931.

To Mr. Hamlin

From Mr. Wyatt, General Counsel.

Subject: Special condition re loans to R. Caldwell and A. B. Banks by American Exchange Trust Company, Little Rock, Arkansas.

2-8495

You have asked me to give you the history underlying the approval by the Board of the following special condition which was imposed upon the American Exchange Trust Company of Little Rock, Arkansas, when it was admitted to membership:

> "9. You shall agree that there shall not be an undue or improper concentration (in the judgment of the Federal Reserve Board) of direct and indirect liabilities of any directors, officers, employees, stockholders, and/or associates, combined with their underwritings and/or loans to or upon stock of corporations in which interested."

The above named bank was formed to take over most of the assets of the American Southern Trust Company and the Exchange National Bank, both of Little Rock, which were in an unsatisfactory condition. The two principal stockholders in the new bank, by virtue of their stock ownership in the constituent banks, were Messrs. Rogers Caldwell and A. B. Banks, who were also extensively interested, directly or indirectly, in a large number of other banks and enterprises.

When application for membership was made by this bank, the membership committee of the Federal Reserve Bank of St. Louis recommended that the application be approved subject to a special condition substantially the same as that above quoted in addition to several other special conditions and the usual seven conditions set out in the Board's Regulation H. The purpose of this special condition, as stated by the Assistant Federal Reserve Agent at St. Louis in his letter forwarding the application to the Board, was to place a limitation upon the amount which Messrs. Caldwell and Banks and their interests could borrow from the applicant bank.

In a memorandum describing the preliminary treatment of this application, Mr. Wingfield, who handled the application for this office, states that Mr. Cunningham advised that he would not recommend its approval unless Mr. James did so; and that Mr. James expressed the opinion that he would be unwilling to recommend its approval unless a restriction was placed upon the bank similar to that imposed upon the Union Planters National Bank and Trust Company of Memphis, Tennessee, by the Comptroller of the Currency, when this national bank was converted from a State institution.

The State institution involved in this conversation was one in which Rogers Caldwell and certain of his associates owned a large stock interest, and the agreement which the Comptroller required all of them to execute prevented absolutely loans by the national bank to any of them or to "any of their corporations, firms, enterprises or underwritings either directly or indirectly." The agreement provided further that if Caldwell or any of his associates or their corporations, firms, enterprises or underwritings were indebted to the State bank at the time of the conversion, such indebtedness

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would be paid within six months.

Mr. Wingfield states further that Mr. James, after a discussion in his office between Governor Martin of the Federal Reserve Bank of St. Louis, and Messrs. McClelland and Wingfield, directed this office to prepare a condition restricting to 20 per cent. of the capital and surplus of the bank, the loans to be made to any of its officers, directors, employees or stockholders, or firms or corporations with which such officers, directors, employees or stockholders were affiliated. Such a condition was accordingly prepared by this office and Mr. James forwarded it to Governor Martin with the suggestion that it be imposed upon the bank instead of the condition recommended by the membership committee of the Federal Reserve Bank of St. Louis. The proposed substitute condition provided:

> "Except with the permission of the Federal Reserve Board, the total liabilities to such bank, direct or indirect, contingent or otherwise, of (a) any person, including therein the liabilities of any partnership or association in which he is a member and of any corporation in which he is a director, officer, employee or stockholder, or (b) of any partnership, association or corporation, including therein the liabilities of any other partnership, association or corporation affiliated or connected therewith through having common officers, directors, members, employees or stockholders, or through stock ownership by the one in the other, shall not at any time or under any circumstances exceed an amount equal to 20 percent of the paid-up and unimpaired capital and surplus of such bank."

On March 1, 1930, a meeting of the Board was called to consider the application of the American Exchange Trust Company. Governor Martin was present at this meeting and he called attention to the fact that the only problem presented by the amalgamation of the constituent banks was the possibility of an undue concentration in the new bank of the loans of the interests of the two principal stockholders, Caldwell and Banks. In view of this possibility, Governor Martin stated that the membership committee of his bank recommended, in which recommendation he joined, that the application of the bank be approved subject, among others, to the special condition first above quoted. Mr. James then called attention to the possibility that the applicant bank might be resorted to for loans during certain seasons of the year by the large number of banks with which Mr. Banks was associated and requested that the Board consider the condition which had been prepared by this office in lieu of the condition recommended by the Federal Reserve Bank of St. Louis. The opinion was expressed by some members of the Board, however, that this substitute condition "is perhaps too drastic" and that the condition recommended by the membership committee of the Federal Reserve

Bank of St. Louis "will adequately meet the situation," with the result that the condition first above quoted was unanimously approved by the Board along with a number of other conditions.

For your further information, I am attaching hereto an excerpt from the minutes of the meeting above referred to which sets out in greater detail just what took place at that meeting.

Respectfully,

Walter Wyatt

Walter Wyatt,
General Counsel.

Excerpt attached.

See BO

United States Senate

COMMITTEE ON APPROPRIATIONS

Lynchburg, Virginia.

July 16, 1931.

My dear Governor Hamlin:

I have not sooner acknowledged your letter of some days ago because I had expected before now to be in Washington and to talk with you in person. I hope to get there before many days and will make it a point to see you.

Meanwhile, please do not accept my silence for acquiesence in the proposition that the Federal Reserve banks have one particle of legal sanction for guaranteeing foreign bank credits or buying foreign finance bills under the guise of prime short time commercial bills. I thought this sort of thing was ended after the one venture of our lamented friend, Ben Strong. If it is now to be resumed, God only knows what will become of the Federal Reserve System.

With cordial regards,

Sincerely yours,

Carter Glass.

Hon. C. S. Hamlin,
Federal Reserve Board,
Washington, D. C.

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EXCERPT FROM MINUTES

Meeting of the Federal Reserve Board held on March 1, 1930, at 2:30 P. M., at which the following were present:

Governor Young
Mr. Platt
Mr. Hamlin
Mr. James
Mr. Cunningham
Mr. Noell
Mr. Martin
Mr. Wingfield

Governor Young referred to the special matter for which this meeting was called, namely, the application of the American Exchange Trust Company of Little Rock, Arkansas, for membership in the Federal Reserve System, and requested Governor Martin to explain to the Board the circumstances under which the new bank was organized and the conditions upon which the membership committee of the Federal Reserve Bank of St. Louis recommends that the bank be admitted to membership.

Mr. Martin stated that the applicant bank with capital of $1,000,000, and surplus of $500,000, and operating under a new charter, is the result of the bringing together of the Exchange National Bank of Little Rock and the American Southern Trust Company of Little Rock, both of which institutions were in unsatisfactory condition; that the assets of the new bank consist of the good assets from both of the old institutions in the amount of their liabilities less capital, surplus, and undivided profits, the stockholders taking the remaining assets of the two old banks which will be held in trust by the American Exchange Trust Company for their benefit; that the new bank is in good condition; and that the only problem presented by the arrangement is the possibility of an undue concentration in the applicant bank of the loans of the interests of the two principal stockholders, Messrs. Rogers Caldwell and A. B. Banks, who hold 33,000 of a total of 40,000 shares of stock. He called attention to the fact that at one time the interests with which Mr. Banks is connected had loans of approximately $1,500,000 with the American Southern Trust Company, that this matter was called to Mr. Bank's attention and he has since reduced this total to about $460,000, and has agreed to reduce it to $300,000, or 20% of the bank's capital and surplus.

Mr. Martin further stated that while he had talked with Mr. Stanley, the executive officer of the new bank, and feels that he can be relied upon to see that the interests of Messrs. Caldwell and Banks are not permitted to use the credit of the new bank to any unusual extent, the Federal Reserve Bank of St. Louis, in view of the situation outlined, believes some special conditions are required, and that the Membership Committee of the Bank recommends, in which recommendation he joins, that the application of the American Exchange Trust Company for membership in the Federal Reserve System be approved subject to the regular conditions imposed by the Board, and, in addition, the following:

"8. You shall agree not to purchase, transfer or acquire certain assets of the American Southern Trust Company, Little Rock, Arkansas, aggregating $1,316,793.75 listed on exhibit No. 1 and/or certain assets of the Exchange National Bank, Little Rock, Arkansas, aggregating $604,656.08 listed on exhibit No. 2.

9. You shall agree that there shall not be an undue or improper concentration (in the judgment of the Federal Reserve Board) of direct and indirect liabilities of any directors, officers, employees, stockholders, and/or associates, combined with their underwritings and/or loans to or upon stock of corporations in which interested.

10. That at the time your company is authorized to commence busi-

ness your proposed capital of $1,000,000 and surplus of $500,000 shall be fully paid in.

11. That your company shall, at the first meeting of your board of directors, ratify the action taken in your behalf by the "American Southern Trust Company in applying for stock in the Federal Reserve Bank of St. Louis and in accepting the conditions of membership imposed by the Federal Reserve Board, and your board of directors shall pass a resolution accepting such conditions of membership."

Mr. James then referred to the extensive banking interests of Mr. Caldwell and to the fact that Mr. Banks is interested in some forty or more banks throughout the State of Arkansas, in connection with which the American Exchange Trust Company may be resorted to for loans during certain seasons of the year, and stated that in an endeavor to prevent any possibility of an undue extension of credit to these interests by the applicant bank, he had requested Counsel to prepare the following condition of membership, which he would like to have the Board consider in lieu of the 9th condition recommended by the Federal Reserve Bank of St. Louis:

"Except with the permission of the Federal Reserve Board, the total liabilities to such bank, direct or indirect, contingent or otherwise of (a) any person, including therein the liabilities of any partnership or association in which he is a member and of any corporation in which he is a director, officer, employee or stockholder, or (b) of any partnership, association or corporation, including therein the liabilities of any other partnership, association or corporation affiliated or connected therewith through having common officers, directors, members, employees or stockholders, or through stock ownership by the one in the other, shall not at any time or under any circumstances exceed an amount equal to 20 per cent of the paid-up and unimpaired capital and surplus of such bank."

A general discussion ensued, during which the opinion was expressed by some members of the Board that the condition suggested by Mr. James is perhaps too drastic and that the 9th condition recommended by the

Membership Committee of the Federal Reserve Bank of St. Louis will adequately meet the situation.

At the conclusion of this discussion, Mr. Hamlin moved that the application of the American Exchange Trust Company for membership in the Federal Reserve System and for 900 shares of stock in the Federal Reserve Bank of St. Louis be approved, subject to the usual conditions imposed by the Federal Reserve Board, and, in addition, the conditions recommended by the Membership Committee of the Federal Reserve Bank of St. Louis.

This motion, being put by the Chair, was unanimously carried.

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Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Sec Bd

Date July 23, 1931

To Mr. Hamlin

Subject:

From Mr. Goldenweiser

2—8495

In connection with your inquiry about foreign acceptances, the facts are as follows:

On June 30, 1931, the large New York banks reporting to the New York Federal Reserve Bank, and including that bank, held $678,000,000 of dollar bills for account of foreign correspondents. On the same date the volume of acceptances in the New York market, which were executed for foreign account, and on which foreigners would be liable at maturity, was $647,000,000. Total holdings of acceptances payable in foreign currencies by these reporting banks were not in excess of $69,000,000. It may be mentioned that on March 25, the lattest date for which information for all member banks is available, their total holdings of bills payable in foreign currencies were $100,000,000.

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