

## The Papers of Charles Hamlin (mss24661)

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Hamlin, Charles S., Scrap Book – Volume 253, FRBoard Members

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CONFIDENTIAL (F.R.)

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date August 12, 1941To The Files

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

From Mr. Coe*M.P.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 253 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 253

Page 26

Confidential - Earnings and Expenses of F.R. Banks, April 1934.

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Memo to Mr. Hamlin from Mr. Goldenweiser re article, "Federal Reserve", in the May 1934 issue of Fortune.

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Memo to Mr. Goldenweiser from Messrs. Gardner and Thorne re present status of German indebtedness to foreigners and of reparations.

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Reasons of Mr. Hamlin for voting "Aye".

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Confidential - Earnings and Expenses of Federal Reserve Banks, May 1934.

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Memo to Mr. Hamlin from Mr. Wingfield re Admission to membership of trust companies.

RAIFAX BOND

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, APRIL 1934

Federal Reserve Bank	Month of April 1934					Current net earnings		January - April 1934				
	Earnings from -					Current expenses		Total	Ratio to paid-in capital	Current net earnings		
	Dis-counted bills	Pur-chased bills	U.S. Govt. securi-ties	Other sources	Total	Exclusive of cost of F. R. currency	Total			Total	Ratio to paid-in capital	Less accrued dividends and net charges (current) to profit and loss
										Per cent	Per cent	
Boston	\$2,487	\$1,631	\$247,872	\$1,128	\$253,118	\$164,038	\$158,173	\$94,945	10.8	\$347,685	9.9	\$178,563
New York	39,472	3,750	1,311,467	19,610	1,374,299	585,104	614,817	759,482	15.5	3,213,926	16.6	2,346,803
Philadelphia	50,197	1,660	266,427	13,817	332,101	200,754	207,280	124,821	9.7	483,020	9.3	233,275
Cleveland	11,267	1,551	333,955	6,221	352,994	241,816	248,196	104,798	10.1	442,720	10.7	227,639
Richmond	5,128	648	146,850	4,293	156,919	135,309	136,266	20,653	5.1	67,211	4.1	-15,818
Atlanta	2,150	654	135,254	11,698	149,756	105,914	108,712	41,044	11.3	99,393	6.8	25,267
Chicago	1,920	2,121	663,163	18,772	685,976	311,788	314,349	371,627	35.8	1,379,960	33.0	1,455,175
St. Louis	690	542	147,106	3,628	151,966	119,233	122,423	29,543	9.1	126,545	9.8	61,470
Minneapolis	1,553	407	113,280	720	115,960	94,806	96,216	19,744	8.2	82,198	8.7	36,041
Kansas City	5,817	515	145,746	14,652	166,730	145,740	147,164	19,566	5.7	72,832	5.4	6,121
Dallas	485	1,972	122,801	5,796	131,054	99,772	101,314	29,740	9.1	110,041	8.6	94,610
San Francisco	812	1,337	260,776	5,108	268,033	203,175	206,534	61,499	7.0	252,036	7.2	77,186
TOTAL												
Apr. 1934	121,978	16,788	3,894,697	105,443	4,138,906	2,407,449	2,461,444	1,677,462	13.9			
Mar. 1934	134,849	16,585	4,069,855	130,245	4,351,534	2,439,551	2,529,906	1,821,628	14.7			
Apr. 1933	1,069,407	275,769	2,927,102	129,910	4,402,188	2,432,861	2,790,071	1,612,117	13.1			
Jan.-Apr. 1934	687,725	117,549	15,345,091	439,461	16,589,826	9,455,938	9,912,259	6,677,567	13.9	6,677,567	13.9	4,726,332
1933	5,333,547	935,515	10,246,864	540,697	17,056,623	9,038,461	10,363,457	6,693,166	13.5	6,693,166	13.5	3,594,474

FEDERAL RESERVE BOARD  
DIVISION OF BANK OPERATIONS  
MAY 11, 1934.

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## Office Correspondence

FEDERAL RESERVE  
BOARDDate May 11, 1934To Mr. HamlinSubject: "Federal Reserve" in theFrom Mr. GoldenweiserMay 1934 issue of Fortune

16-852

The article in the May Fortune about the Federal Reserve System is written in a popular vein by a writer or writers with only superficial understanding of the System. It bandies phrases and does not grasp the problems involved. The discussion is colorful and dramatic, but muddled, inconsistent, and often inaccurate.

The author probably had no particular intention to be critical, and was led into it by the fatal attraction of good copy. The critical aspects are included to add drama--the Federal Reserve Board is always the villain, the New York Reserve Bank always the hero. Although the Board is represented as favoring automatic control, it is stated that it forced the Chicago bank to reduce its rate in 1927. It is pictured as being bewildered and frightened and as acting with confusion and delay. During the depression it was "engaged in the most flagrant interference with Economic Law", with no understanding of the true significance of its acts. Governor Strong had practiced "social statesmanship" and was magnificent, although his leadership led to disaster. It would appear that the New York Bank had nothing to do with the policies followed by the System during the current depression.

Important points of the criticism center around a few leading points:

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(1) The framers of the Federal Reserve Act wished to insure the separation of credit control from Government dictation. After passing through several phases, the Federal Reserve System in the present administration is completely under the domination of the Treasury. The Roosevelt revolution has not taken place in industry or in agriculture, but in the country's credit system. "It has changed the control of credit from a theoretically automatic and thermostatic control exerted by one of the cleverest mechanisms of the age to an intentional and volitional control exerted by the human hand." The desirable next phase would be to turn control of the System back to those who had been trained in the spirit of central banking. The only Americans who are competent central bankers are those who were Governor Strong's understudies during his lifetime.

(2) In working out their design the framers of the Federal Reserve Act established what they believed to be an automatic mechanism, but Governor Strong, who dominated the System from an early date, believed "in the regulation and the direction of the flow of credit according to human wisdom for human needs". The automatic mechanism was designed so that discount rates, which would control currency and credit, would be determined by reserve ratios.

(3) The Board was a reluctant follower of Governor Strong and his philosophy of management through the open-market instrument, the power of which had not been foreseen by the framers of the Act. The chief objective of Governor Strong's easy money policy, namely the

restoration of the gold standard, particularly in England, is now well recognized as having been premature. "In the end he was defeated and his position discredited."

(4) After Governor Strong's death in 1928, the System lacked strong leadership, although the Federal Reserve Board was dominant. It wished to return to the automatic control philosophy. In dealing with the problem of 1928 and 1929, however, its capacity for vigorous action was palsied by recollection of the recriminations of 1920-21. Among other things it did not make effective use of the discount rate. In connection with this phase the author stresses particularly the existence of divided counsel in the System. He characterizes the "warning policy" as a failure.

(5) During the first two years of the depression "the System badly rattled by the violent criticism of its conduct in 1929 adopted, but without conviction, an easy money policy", which resulted in substitution of U. S. securities for gold and commercial paper as a backing for currency and involved flagrant interference with economic law.

A summary of the whole of the author's critical argument is given in his own words as follows:

"The important point is that the automatic Federal Reserve System of November, 1914, had come a long and laborious way to the threshold of the New Deal. It had been pleasantly prostituted by the Treasury during the War. It had virtuously attempted to return to pure banking thereafter. It had been divided in its counsels. It had yielded at last to the superior force and intelligence of Governor Strong of the New York Bank. It had practiced for the better part of a decade the policy of social and economic en-

gineering via the control of the credit system in which Governor Strong believed. That policy had collapsed with the collapse of Governor Strong's most ambitious project and his subsequent death. In violent and frightened reaction the Reserve Board and the governors of many of the banks had attempted to return to the formalism of pure banking. And that reaction though confused and defeated by the necessities of the depression was still the policy of the dominant faction in the Reserve when Mr. Roosevelt took office. The result, inevitably and immediately, was a head-on collision."

The writer contrives a few neat categories and tries to force experience into them, but experience does not accommodate itself to anything so neat. In the first place, the design of the Federal Reserve System was not for a purely automatic mechanism, but always contemplated management of credit in the public interest, and this has been fully recognized by the Board both in its acts and in its statements.

The dramatic effects produced through the picture of the struggle between "Governor Strong and the Board" are not convincing to one who knows the facts. There was no continuous struggle. There were times when the system as a whole inclined toward "more management in the public interest" and other times when it was more inclined toward automatic controls. Action taken in 1919-1920 was in accord with the automatic standard, because reserve ratios did fall close to the minimum requirements. The Board was not opposed to shaping its policies in the public interest during the War, and the author acknowledges this. Neither did the Board during the emergency of the present depression rely on the automatic factors of reserve ratios and rates in meeting the situation. Its open market policies prior to March 4, 1933, bear witness



to this and the author acknowledges it. Just what he means by doing it "without conviction" is not clear. It's just a journalistic phrase that reveals the author's desire to minimize what does not fit into his pattern.

In regard to the 1927-1929 episode the Board's ideas at the time were not determined by any consideration of the reserve ratio. The writer belittles the results obtained by the policy pursued at that time, the heavy indebtedness of member banks, the rise in money rates, the cessation of an increase in the volume of bank credit, and especially the decline in bank loans to brokers. The Board is criticized for not raising rates further and at the same time for causing a rise in loans by others through making rates high. That these loans were made through and encouraged by New York member banks, and especially by one or more directors of the Federal Reserve Bank of New York, is not criticized by the writer. The whole problem of that period is far too complicated and too much the result of many uncontrollable forces to permit the placing of blame for its consequences upon any one group. The author's implication that a 6 per cent rate in February would have saved the situation is one that it would be difficult to sustain.

Regarding future control of the System, the author is not aware of the fundamental alternative that faces the System: it must be dominated either by New York or by Washington. It is certainly not clear whether New York is better fitted than Washington to practice "social statesmanship" and it is quite clear that the country would not submit to New York domination. In general, the article is not important and, though clever in places, shows little understanding of the fundamentals of the situation.

Mr. Franklin

See Pa

I attach a memorandum  
by Messrs Gardner & Thorne on the  
present status of German indebtedness  
to foreigners and of reparations.

This is in accordance with your  
request of Apr. 26.

Ellis

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## Office Correspondence

FEDERAL RESERVE  
BOARD

Date May 3, 1934

To Mr. Goldenweiser

Subject: The present status of German

From Mr. Gardner and Mr. Thorne

indebtedness to foreigners and of  
reparations.

\* \* \* 16-852

German indebtedness to foreigners

Since the run on Germany in June 1931 and the establishment of a rigorous control over the export of capital, the German authorities have taken periodic censuses of German indebtedness to foreigners. A series of totals based upon these censuses is shown in the table below:

GERMAN FOREIGN INDEBTEDNESS, JULY 1931 - DECEMBER 1933

(In billions of reichsmarks)

	Dec. 1933 <sup>1/</sup>	Sept. 1933	Feb. 1933	Sept. 1932	Feb. 1932	Nov. 1931	July 1931
Reported indebtedness:							
Long-term .....	6.8	7.4	10.3	10.2	10.5	10.7	10.7
Short-term .....	6.0	7.4	8.7	9.3	10.1	10.6	13.1
(Standstill) .....	(2.5)	(3.0)	(4.1)	(4.3)	(5.0)	(5.4)	(6.3)
Total .....	12.8	14.8	19.0	19.5	20.6	21.3	23.8
Unreported indebtedness, shares, and property (esti- mated) .....		4.2	4.2	4.3-5.3	5.3	5.3	5.9
Grand total (partly esti- mated) .....		19.0	23.2	23.8-24.8	25.9	26.6	29.7

<sup>1/</sup> Estimate by the German Institute for Economic Research (Institut für Konjunkturforschung).

The figures in the above table for "unreported indebtedness, shares, and property" represent estimates by the German authorities of such items as debts too small to be reported (less than 5,000 reichsmarks), shares and other foreign interests not represented, fixed indebtedness, subsidiaries of foreign companies, and foreign-owned real estate in Germany.

The December figures in the table above represent an estimate by the German Institute for Economic Research and are incomplete. The latest full report of indebtedness is that for the end of September 1933. German foreign indebtedness by countries is shown in the table below for September and Feb-

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ruary 1933, the figures for February being given in order to show the situation just previous to the depreciation of the American dollar.

GERMAN FOREIGN INDEBTEDNESS IN 1933 BY COUNTRIES

(In millions of reichsmarks)

Country	Total		Long-term		Short-term	
	Sept.	Feb.	Sept.	Feb.	Sept.	Feb.
United States .....	4,721	7,733	3,000	5,196	1,721	2,537
Netherlands .....	2,964	3,334	1,529	1,823	1,435	1,511
Switzerland .....	2,540	2,693	1,052	1,202	1,488	1,491
Great Britain .....	1,751	2,124	811	1,080	940	1,044
France .....	774	842	477	492	297	350
Bank for International Settlements	246	610	---	---	246	610
Sweden .....	215	259	102	158	113	101
Belgium .....	166	185	54	59	112	126
Czechoslovakia .....	159	120	---	---	159	120
Italy .....	138	141	83	84	55	57
Denmark .....	49	51	---	---	49	51
Other countries .....	1,118	875	328	171	790	704
Total .....	14,841	18,967	7,436	10,265	7,405	8,702

The depreciation of the American dollar is reflected in the table above in the decline in terms of reichsmarks of German indebtedness to the United States and to other countries as well -- for German dollar obligations were held abroad as well as in the United States. The reichsmark equivalent of the same dollar debt was about 35 percent less in September than in February. Not all the change, however, is to be attributed to depreciation of the dollar and other currencies. There was a considerable amount of actual repayment. The Reichsbank repaid in full the emergency credit extended in 1931, as did the Golddiskontbank; and other debts were reduced through sinking fund operations or, in the case of short-term funds, the failure to make complete use of lines of credit.

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The service of German debt to foreigners has been lightened not merely by currency depreciation and repayments of principal, but by reductions in the rate of interest on the standstill credits and by the imposition of a partial moratorium on payments in foreign currencies beginning July 1, 1933. The effect of the moratorium is not shown in the table below, which shows the scheduled annual service of German foreign indebtedness in reichsmarks.

ANNUAL SERVICE OF GERMAN FOREIGN INDEBTEDNESS BY COUNTRIES

(In millions of reichsmarks)

Country	September 1933-34			Total	Total February 1933-34
	Interest on		Sinking fund		
	Long-term debt	Short-term debt			
United States .....	188	74	99	361	605
Netherlands .....	84	68	52	204	237
Switzerland .....	61	70	20	151	190
Great Britain .....	51	34	22	107	140
France .....	26	10	6	42	47
Sweden .....	6	4	2	12	16
Belgium .....	3	3	1	7	9
Italy .....	4	1	2	7	7
Czechoslovakia ....	---	5	1	6	7
Denmark .....	---	1	1	2	2
Other countries ...	10	19	5	34	39
Total .....	433	289	211	933	1,299

It is upon the reduced amount of reichsmark payments shown in the table above that the Government has now imposed a partial transfer moratorium. Except for the Dawes Loan, no sinking fund payments whatsoever are being transferred into foreign currencies. Full interest on the Young loan is being transferred and interest on the standstill credits is being paid in foreign currencies in accordance with the latest standstill agreement. Interest on the rest of the German indebtedness, however, is being paid only in part in foreign currencies, the remainder being paid in scrip. The scrip, which is

Mr. Goldenweiser

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a reichsmark claim, can be held as such unused or else converted into foreign currency at a heavy discount. The foreign bondholder who converts his scrip gets a total payment in his own currency of about three fourths of what his coupon calls for. Even this amount may be reduced as a result of the conference now in progress in Berlin.

#### Reparations

Until the Lausanne Agreement of 1932 is either ratified or rejected, Germany is under no obligation to make any reparation payments. This situation and the legal obligations that would ensue upon ratification or rejection are briefly covered in the following paragraphs.

At the time of the Hoover moratorium Germany was making monthly reparation payments under the agreement signed at the Hague on June 20, 1930. This agreement together with supplementary documents is published in the Federal Reserve Bulletin for April 1930, p. 172-249, and the schedule of reparation payments is set forth on page 181. The last payment made by Germany under the Hague Agreement was that for June 15, 1931. By that time the international financial crisis had broken and the so-called Hoover moratorium was announced suspending all reparation and war debt payments for one year beginning July 1, 1931.

Before the end of the moratorium year the countries concerned in reparations met at Lausanne to make a new settlement. At the outset of the conference -- on June 16, 1932 -- representatives of the governments of the United Kingdom and Northern Ireland, France, Italy, Belgium, and Japan signed a declaration stating that they were of the opinion that the execution of the payments due to the

Mr. Goldenweiser

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May 3, 1934

powers participating in the conference in respect of reparations and war debts should be reserved during the period of the conference. Not all the reparation creditors were represented in this declaration, but no German reparations were in fact due until July 15. The conference ended on July 9, 1932, with the provisional signing of the Lausanne Agreement which, together with supplementary documents, is printed on pages 497-504 of the Federal Reserve Bulletin for August 1932. One of the group of agreements signed by the whole conference stated that until the agreement with Germany covering reparations was finally ratified or rejected, the effects of the June 16 declaration suspending German payments should be continued. An accompanying procès-verbal stated that the reparation creditors would not ratify the main agreement finally until a satisfactory settlement had been reached between them and their own creditors -- the reference being clearly to the United States, which was not represented at the conference. This "satisfactory" settlement with the United States has never been attained; and the main Lausanne Agreement remains hanging in mid-air.

This then is the present status of German reparations. None are required until the Lausanne Agreement is finally ratified or rejected. If it is ratified, German reparations will be reduced to 3,000,000,000 reichsmarks of 5 percent bonds of the German Government to be sold to the investing public through the agency of the Bank for International Settlements over a period of time. The annual service of the entire issue will be only about one tenth of the maximum annuities under the Hague Agreement. If the Lausanne Agreement is rejected, then the Hague Agreement and the old schedule of annuities will again become

Mr. Goldenweiser

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May 3, 1934

effective. Since, however, the Lausanne Agreement has neither been ratified nor rejected, Germany is for the time being under no obligation to make any reparation payments.

Note: A call to the State Department to confirm our understanding that no one of the six countries with power to kill the Lausanne Agreement had in fact rejected it met with the suggestion that if we would send them a written inquiry they would have the matter checked. The matter was not considered of sufficient importance to push that far. If it is considered desirable, however, the check can be made.



See 131  
June 2, 1934.

Mr. Hamlin stated that he voted "Aye" for the following reasons:

1. Because the admission of a trust company doing solely a trust business, having no substantial amount of deposits or of commercial paper, would be inconsistent with the purposes of the Federal Reserve Act.
2. That such trust companies would not carry any substantial amount of reserves with the Federal reserve bank, and therefore would contribute nothing to strength of the System.
3. That the admission of such trust companies to membership would probably, in the opinion of the public at least, place upon the Federal Reserve System a moral obligation, - in case of trouble growing out of the administration of trusts, which latter constitutes substantially the only business by virtue of which these companies would have been admitted to membership, - to grant relief to trust beneficiaries through advances to the trust companies, which relief the Federal Reserve System could not grant in any substantial amount under existing laws.

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Not for publication

B-811

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, MAY 1934

Federal Reserve Bank	Month of					May		1934		January - May 1934		
	Earnings from -					Current expenses		Current net earnings		Current net earnings		
	Dis-counted bills	Pur-chased bills	U.S.Govt. securi-ties	Other sources	Total	Exclusive of cost of F. R. currency	Total	Total	Ratio to paid-in capital	Total	Ratio to paid-in capital	Less accrued dividends and net charges (current) to profit and loss
									Per cent			
Boston	\$1,634	\$120	\$250,222	\$1,009	\$252,985	\$172,590	\$175,200	\$77,785	8.6	\$425,469	9.6	\$202,811
New York	35,518	598	1,304,188	5,122	1,345,426	592,565	618,909	726,517	14.3	3,940,443	16.1	2,770,342
Philadelphia	126,939	158	268,195	301	395,593	198,164	206,054	189,539	14.4	672,560	10.4	342,157
Cleveland	4,270	152	337,070	5,846	347,338	246,335	253,443	93,895	8.7	536,615	10.3	254,641
Richmond	2,467	62	160,390	5,590	168,509	135,144	136,568	31,941	7.6	99,152	4.8	-10,250
Atlanta	1,938	57	138,089	4,873	144,957	103,756	105,481	39,476	10.6	138,869	7.6	42,829
Chicago	751	207	682,616	18,230	701,804	298,289	300,463	401,341	37.7	1,781,301	33.9	1,795,878
St. Louis	426	25	148,522	3,878	152,851	115,449	116,900	35,951	10.5	162,496	9.9	75,342
Minneapolis	1,326	23	114,790	2,295	118,434	93,210	93,543	24,891	9.7	107,089	8.9	45,183
Kansas City	3,462	49	146,707	17,318	167,536	150,211	151,627	15,909	4.5	88,741	5.2	1,078
Dallas	841	151	125,230	1,543	127,765	99,850	101,244	26,521	7.9	136,562	8.5	101,234
San Francisco	1,105	166	263,168	5,331	269,770	213,557	215,402	54,368	6.0	306,404	6.9	75,797
TOTAL												
May 1934	180,677	1,768	3,939,187	71,336	4,192,968	2,419,120	2,474,834	1,718,134	13.8			
Apr. 1934	121,978	16,788	3,894,697	105,443	4,138,906	2,407,449	2,461,444	1,677,462	13.9			
May 1933	890,933	132,059	3,346,792	128,471	4,498,255	2,237,836	2,309,576	2,188,679	17.2			
Jan.-May 1934	868,404	119,317	19,284,278	510,797	20,782,796	11,875,058	12,387,095	8,395,701	13.9	8,395,701	13.9	5,697,042
1933	6,224,479	1,067,574	13,593,656	669,168	21,554,877	11,276,297	12,673,032	8,881,845	14.3	8,881,845	14.3	5,000,616

FEDERAL RESERVE BOARD  
DIVISION OF BANK OPERATIONS  
JUNE 13, 1934.

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## Office Correspondence

FEDERAL RESERVE  
BOARD

May 28, 1934

Date

To MR. HAMLIN  
From MR. WINGFIELD

Subject: Admission to membership of  
trust companies.

16-852

Pursuant to your request there will be briefly described below the cases in which the Board has ruled on the question whether a trust company or other institution not doing a commercial banking business should be admitted to membership in the System. It is possible that there are other cases on this point but a rather hasty search of the Board's files has disclosed the following such cases:

In 1925 the Federal Reserve Agent at Atlanta requested advice as to the eligibility of the Southern Trust Company of Clarkesville, Tennessee, for membership in the Federal Reserve System. It appeared that this trust company was authorized to do both a banking and trust business but that it confined itself exclusively to the handling of first mortgage real estate loans and the administration of trust estates. It had no commercial deposits or other demand liabilities. The Board advised the Agent on November 5, 1925, on this point as follows:

"The second paragraph of Section 9, however, provides that the Federal Reserve Board in passing upon applications for membership shall consider 'whether or not the corporate powers exercised are consistent with the purposes of this Act'. Inasmuch as the Southern Trust Company does not do any banking business the powers exercised by this company cannot properly be considered consistent with the purposes of the Federal Reserve Act, and the Board would not, therefore, approve an application for membership from this trust company."

In 1930 the Federal Reserve Agent at Cleveland requested advice as to whether institutions the great bulk of the assets of which are of a kind ineligible for rediscount or purchase by Federal reserve banks should be admitted to membership in the Federal Reserve System,

and in reply the Board advised the Agent on December 11, 1930, as follows:

"Section 9 of the Federal Reserve Act places a responsibility upon the Board in passing upon applications for membership, to consider not only the financial condition of the applying bank and the general character of its management but also whether or not the corporate powers exercised are consistent with the purposes of the Federal Reserve Act. It seems clear that when the operations of an institution result in the accumulation of assets almost entirely ineligible for rediscount, affording it no recourse to the Federal reserve bank in times of need, the business in which it is engaged is not of the character contemplated by Congress for member banks of the Federal Reserve System, and accordingly its operations are not consistent with the purposes of the Federal Reserve Act."

In 1931 the Board considered an application for membership from the Fiduciary Trust Company of New York City. It appeared that the institution, which was being organized, proposed to limit its activities to purely fiduciary work and to the receipt of deposits not involving lines of credit and did not intend to do a commercial banking business. In these circumstances the Board advised the bank that it was not willing at that time to admit the institution to membership. The reasons for the Board's decision are not stated in the letter of advice, but it appears from the Board's minutes of June 3, 1931 that it was the consensus of opinion that the matter involved questions of policy which could not be decided by the Board at that time but that no action should be taken by the Board which would prejudice the standing of the Fiduciary Trust Company or the future consideration of its admission to membership after the Board had an opportunity to observe its actual operations over a reasonable period of time.

In 1924 the Federal Reserve Agent at St. Louis raised the question whether the Trust Company of St. Louis County, Clayton, Missouri, should be

Mr. Hamlin - 3

properly admitted to membership in the Federal Reserve System. It appeared that the commercial banking business which was formerly transacted by this trust company was then being handled almost entirely by a newly organized national bank which was operating in connection with the trust company. This office advised the Board that the institution was technically eligible for membership but that the question of its desirability for membership was a matter for the discretion of the Board.

It appears from the Board's minutes of June 4, 1924, that the Board instructed that the Federal Reserve Agent be advised that the Board sees no reason for refusing to admit the trust company and that he should forward its application with any further reasons he may have for disapproving it and with information as to whether the ownership of the trust company and the national bank is the same. So far as can be discovered from a search of the Board's files no application for membership by this trust company was ever submitted to the Board.

It will be observed that the position taken by the Board in this case in 1924 was contrary to the position taken in the other and later cases referred to above.

Respectfully,

*B. Magruder Wingfield*  
B. Magruder Wingfield,  
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