

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, March 1, 1930 at 2:30 p.m.

PRESENT: Governor Young  
 Mr. Platt  
 Mr. Hamlin  
 Mr. James  
 Mr. Cunningham  
 Mr. Noell, Asst. Secretary

PRESENT ALSO: Mr. Martin, Governor, Federal Reserve  
 Bank of St. Louis  
 Mr. Wingfield, Asst. Counsel

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

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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 business 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

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"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

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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.

The Assistant Secretary then presented applications from the Exchange National Bank and the American Southern Trust Company for the surrender of 300 shares and 732 shares, respectively, of stock in the Federal Reserve Bank of St. Louis. Mr. Martin suggested that the application of the Exchange National Bank be approved, if and when liquidation of the bank is authorized by the Comptroller of the Currency, and that the application of the American Southern Trust Company be considered as notice of intention to withdraw from membership in the Federal Reserve System. He stated that this action is desired inasmuch as the American Southern Trust Company has some trusts which they believe can be worked out in the course of the next six months and it is their desire to continue the corporate existence of the bank for that purpose.

Upon motion, the application of the Exchange National Bank for surrender of 300 shares of stock was approved, if and when liquidation of the bank is authorized by the Comptroller of the Currency, and the application of the American Southern Trust Company was noted as notice of intention to withdraw from membership in the Federal Reserve System.

Governor Young then presented a letter, dated February 27th, from Mr. Gates W. McGarragh, formally tendering his resignation as Chairman of the Board and Federal Reserve Agent, and as Class "C" Director of the Federal Reserve Bank of New York, and stating that during his term of office the members of the Federal Reserve Board had invariably extended to him the greatest consideration, for which he wished to express his appreciation and sincere thanks.

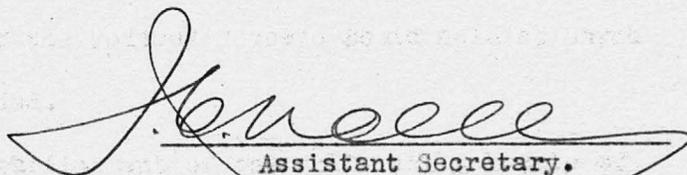
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Upon motion, Mr. McGarrah's letter of resignation as Chairman of the Board and Federal Reserve Agent, and as Class "C" Director of the Federal Reserve Bank of New York, was ordered filed, his oral resignation having been accepted at the meeting on February 27th.

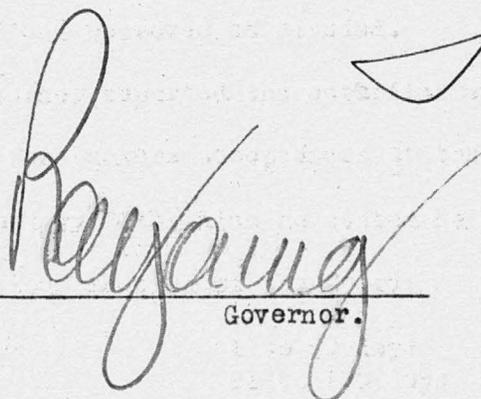
The Governor then presented draft of a proposed letter to Mr. McGarrah formally accepting his resignation, which was read by the Assistant Secretary.

Upon motion, this letter was approved and ordered transmitted.

The meeting adjourned at 3:45 p.m.

  
Assistant Secretary.

Approved:

  
Governor.