

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, January 6, 1931, at 11:15 a. m.

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

Report of Executive Committee on letter dated January 2nd from the Federal Reserve Agent at Kansas City, recommending approval of the application of the Oklahoma National Bank, Oklahoma City, Oklahoma, an outlying institution, for a reduction in its reserve requirements from 10% to 7% of demand deposits; the Board's Committee also recommending approval.

Unanimously approved.

Memorandum from Counsel dated November 18th, with further reference to the organization, under Section 25(a) of the Federal Reserve Act, of the Proposed American Banking and Industrial Corporation of the Near East, disapproval of which was recommended by the Federal Reserve agent at New York for reasons stated in a letter addressed by him to the Board under date of November 7th and ordered circulated among the members of the Board at the meeting on November 10th; Counsel submitting, in accordance with a request made by the Governor, draft of a resolution for adoption by the Board in the event it decides not to approve the organization papers of the proposed corporation nor to issue to it a permit to commence business.

After discussion, upon motion, the resolution submitted with Counsel's memorandum was adopted as follows:

"WHEREAS, William Fellowes Morgan, William S. Ladd, Albert W. Staub, Henry Herberman, F. M. Schall, Joseph B. Cotton, Frank E. Hagemeyer, David A. Himadi, Fayad M. Jabara, W. F. Southirt, Charles A. Moser and Henry C. Ulen, have, as organizers, submitted for the approval of the Federal Reserve Board the articles of association and organization certificate of a corporation proposed to be organized under the provisions of Section 25(a) of the Federal Reserve Act under the name of 'American Banking and Industrial Corporation for the Near East.'

"WHEREAS, the Federal Reserve Board, after having caused an investigation to be made as to the character and financial responsibility of the organizers of the proposed corporation and as to their qualifications for the operation of such a corporation and after having made inquiry as to the reasonable chances for the successful operation of such a corporation in accordance with the proposal of the organizers, has given careful and impartial consideration to the question whether the articles of association and organization certificate of the proposed corporation should be approved and a permit for it to begin business should be issued, in the light of all the information obtained through such investigation and inquiry and all the information submitted by the organizers of this proposed corporation;

"WHEREAS, it is intended that this proposed corporation would transact the ordinary business of a bank of discount and deposit and at the same time would invest a substantial amount of its funds in the stock of subsidiary companies, which would be controlled by the corporation and which would engage in the development of a variety of enterprises including public utility, real estate, and industrial projects, in a number of foreign countries at a great distance from the United States of America;

"WHEREAS, such a combination of the business of a bank of discount and deposit with that of a holding company of the stock of corporations engaged in various enterprises would in the judgment of the Federal Reserve Board be inconsistent with the best interests of the depositors of the bank;

"WHEREAS, under the conditions described a close supervision by the Federal Reserve Board over the activities and condition of the proposed corporation and its subsidiary companies would be extremely difficult, if not actually impossible;

"WHEREAS, it appears from the information received by the Board that the Board of Directors of the proposed corporation in this country would act principally in an advisory capacity and would have little to do with the actual administration of the affairs of the corporation in the foreign countries;

"WHEREAS, upon inquiry the Federal Reserve Board has received information from which it appears that while the organizers of the proposed corporation are men of character and standing only a few of them have had experience in international banking or finance or possess qualifications which would make them especially valuable in managing a corporation of this kind; that there is

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"no assurance of a sufficiently competent and experienced management for the proposed corporation; and that accordingly the successful conduct of the business of the proposed corporation would be doubtful;

"WHEREAS, it is proposed that one of the organizers of the corporation would receive a promotion fee of \$100,000 to be paid out of a fund provided for the purpose by the sale of the capital stock at an amount in excess of its par value; and

"WHEREAS, in view of these and other considerations, it is the opinion of the Federal Reserve Board that the entire project is so hazardous and its chances of success so dubious that it would not be in the public interest for the Board to approve the proposed articles of association and organization certificate of the proposed American Banking and Industrial Corporation for the Near East;

"NOW, THEREFORE, BE IT RESOLVED by the Federal Reserve Board that the articles of association and the organization certificate of the proposed American Banking and Industrial Corporation for the Near East be not approved.

"BE IT FURTHER RESOLVED, that a permit for such a corporation to begin business be not issued."

Upon motion, it was also voted to approve a letter, submitted with Counsel's memorandum, to the organizers of the proposed American Banking and Industrial Corporation for the Near East, advising of the Board's action.

Bond in the amount of \$100,000, executed by Mr. Eugene M. Stevens as Federal Reserve Agent of the Federal Reserve Bank of Chicago, under date of January 2, 1931.

Approved.

Memorandum from Counsel dated January 5th, recommending that his office be authorized to prepare and have published a new edition of the Federal Reserve Act as amended up to and including March 4, 1931.

Upon recommendation of the Law Committee, the authority requested by Counsel was granted.

Memorandum from Counsel dated January 3rd submitting draft of reply to letter dated December 30th from the Assistant Federal Reserve Agent at Chicago, advising that the First Sterling National Bank of Sterling, Illinois, has not yet applied to the Federal Reserve Board for the surrender of its trust

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powers, nor has it obtained a certificate certifying that it is no longer authorized to exercise trust powers; the letter also suggesting that the bank and the Auditor of Public Accounts of the State of Illinois be advised that if the bank desires to surrender its trust powers, it should proceed in the manner prescribed in the last paragraph of Section 11(k) of the Federal Reserve Act and in accordance with the provisions of Section XIV of the Board's Regulation F.

Upon recommendation of the Law Committee, the proposed letter was approved.

Memorandum from Counsel dated January 2nd, submitting draft of reply to a letter dated December 26th from the Office of the Special Assistant to the Secretary of the Treasury with regard to the elimination, as obsolete, from the United States Code, of Sections 281 and 284 of Title 12 thereof (representing portions of Section 2 of the Federal Reserve Act dealing with the capital of Federal Reserve banks at the time of organization); the proposed reply advising that the Federal Reserve Board has no objection to the elimination of the two sections referred to.

Upon recommendation of the Law Committee, the proposed reply submitted with Counsel's memorandum was approved.

Memorandum from Counsel dated January 5th, submitting draft of reply to letter dated December 30th from the Ohio National Bank of Columbus, raising the question whether the provision of Section 11(k) of the Federal Reserve Act, authorizing certain officers of a national bank to take oaths and execute affidavits on behalf of the bank, is mandatory, or whether the bank may continue to follow the provisions of Section 710-163 of the General Code of Ohio; the proposed reply stating that the section of the Ohio Code referred to applies only to trust companies and not to national banks; and

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that while the provisions of Section 11(k) could not be said to be mandatory, in the absence of a state law specifically authorizing an officer of a national bank to take oaths and execute affidavits required by state law, the safer course would be for the officers specified in the Federal Reserve Act to take such oaths and execute such affidavits, since they are the only officers expressly authorized to do so.

Upon recommendation of the Law
Committee, the proposed letter was
approved.

Memorandum from Counsel dated January 2nd with regard to communications received from the Assistant Federal Reserve Agent at Chicago, with reference to the membership of the Kent State Bank, Kentland, Indiana; the Assistant Federal Reserve agent advising that it is understood that the charter issued to this bank has expired and that a new charter has been issued in the name of "The Kent State Bank", inquiring whether membership has not been automatically terminated and requesting a ruling with regard to the Federal Reserve Bank's position in dealing with the institution which is indebted to the Federal Reserve bank; Counsel stating that the Assistant Federal Reserve Agent at Chicago has been advised, over the signature of the Governor, that (1) Where the charter of a State member bank expires and its business is taken over by a newly organized bank, such new bank is not automatically a member of the Federal Reserve System but must apply for and obtain membership in the same manner as any other nonmember State bank; (2) where the charter of a State member bank is extended upon expiration without the creation of any new bank, such bank remains a member of the System and continues to be entitled to all privileges of membership; and (3) if an emergency exists, the Federal reserve bank should consult its own counsel and use its own judgment.

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The memorandum further suggested the desirability of Federal Reserve banks maintaining records showing the date of expiration of the charters of all state banks, and outlined a suggested procedure to be followed in maintaining such a record, and in dealing with state member banks with expiring charters.

Upon recommendation of the Law Committee, a letter to the Governor of the Federal Reserve Bank of Chicago, conveying the suggestions outlined by Counsel as to the proper procedure to be followed; a letter to the Assistant Federal Reserve Agent at Chicago more definitely answering his question, and a circular letter to all Federal Reserve banks, suggesting that they set up a record showing the date of expiration of the charters of all state member banks in their respective districts, and outlining the procedure suggested by Counsel, which letters were submitted with Counsel's memorandum, were approved and ordered transmitted.

Memorandum from Counsel dated October 22nd with regard to a request received from the Federal Reserve Bank of New York for the opinion of the Board on the question of the classification as deposits for reserve purposes of liabilities arising from transactions whereby foreign currency is paid into an account maintained by a member bank with a foreign correspondent, the amount being repayable by the member bank in foreign currency with interest on a specified later date; the memorandum submitting draft of letter to the Deputy Governor of the Federal Reserve Bank of New York advising that in the opinion of the Board a liability arising in the manner described must under the law be regarded as a deposit liability and subject to the corresponding reserves.

Upon recommendation of the Law Committee, the proposed letter was approved and ordered transmitted.

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Memorandum from the Examiner in Charge dated December 29th, submitting report of examination of the International Acceptance Bank, Inc., New York City, New York, as at the close of business November 8, 1930.

Ordered circulated.

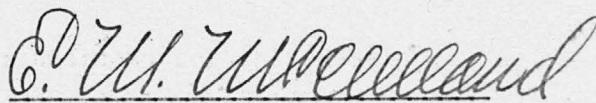
The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on December 29, 1930 and January 2, 1931 were read and approved and the actions recorded therein were ratified.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on December 31, 1930 and January 5, 1931 were read and approved as amended, and the actions recorded therein were ratified.

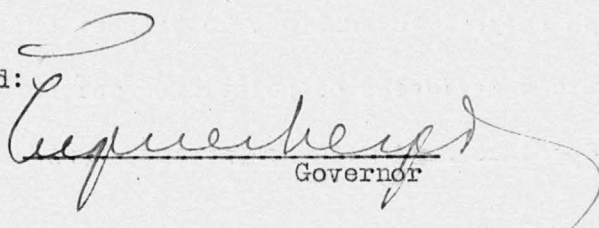
Reference was then made to the memorandum submitted by the Governor at the meeting of the Executive Committee on January 2nd, in which he reported that he had advised the Deputy Governor of the New York Bank that he felt, in the light of all circumstances, that the Board would not object to the purchase of approximately \$45,000,000 of Government securities acquired from the Manufacturers Trust Company and the Public National Bank, both of New York City, or to the purchase of \$32,000,000 of Government securities recently made by the Open Market Policy Conference for System Account because of banking and credit strain over the year-end period.

Upon motion, it was voted to approve the action of the Governor in so advising the New York Bank.

The meeting adjourned at 12:15 p. m.


Assistant Secretary

Approved:


Governor