

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, February 7, 1931, at 10:45 a. m.

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

PRESENT ALSO: Mr. Wyatt, General Counsel  
Mr. Vest, Assistant Counsel

The Assistant Secretary presented communications and reports which were considered by the Board and acted upon as follows:

Letter dated February 4th from the Assistant Federal Reserve Agent at Minneapolis, with regard to a condition of membership imposed by the Board on the Peoples State Bank of Plainview, Minnesota, under date of February 9, 1926, that the bank should increase its paid up and unimpaired capital from \$20,000 to \$25,000 within five years from the date of the approval of its application for membership in the System; the Assistant Federal Reserve Agent stating that in view of the fact that the Peoples State Bank of Plainview is a well managed bank, in sound condition, and has always been a satisfactory member of the System, the Executive Committee of the Minneapolis bank recommends that the Board grant an extension of two years, requested by the member bank, in the time in which it may increase its capital, as required by its condition of membership.

During the discussion which ensued it was pointed out that so far as the Board's records indicate, the member bank has not complied with a further provision of the condition of membership referred to, that it set aside not less than 50% of its net earnings each year prior to the payment of dividends, for the purpose of effecting the increase in its capital.

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At the conclusion of the discussion, upon motion, it was voted to approve an extension of two years from March 1, 1931 in the time in which the Peoples State Bank of Plainview, Minnesota shall increase its capital as required by one of its conditions of membership in the Federal Reserve System, and to instruct the Federal Reserve Agent at Minneapolis to call the attention of the bank to the provision of the condition of membership that not less than 50% of its net earnings shall be set aside each year for the purpose of the capital increase and advise that the Board hereafter will expect strict compliance with the provision referred to.

Memorandum from the Assistant Secretary dated February 6th, advising of an inquiry received over the telephone from the Federal Reserve Agent at St. Louis whether the Board desires and authorizes him to endeavor to secure through the Nashville Branch of the Federal Reserve Bank of Atlanta certain data as to the operations and affiliations of Caldwell and Company, which he needs to complete the report requested by the Board in its letter to him under date of January 29th, with regard to participation in an investigation being conducted by the State Prosecuting Attorney at Little Rock, Arkansas, into events leading up to the failure of the American Exchange Trust Company of Little Rock, Arkansas, etc.; the memorandum submitting for approval by the Board (1) draft of a letter to the Federal Reserve Agent at Atlanta, transmitting copy of the Board's communication of January 29th to the Federal Reserve Agent at St. Louis, with a request that Mr. Newton cooperate with Mr. Wood in completing the report desired by the Board, and (2) draft of a telegram to Mr. Wood advising of the letter to Mr. Newton and suggesting that he confer with Mr. Newton as to the best method of securing the information which he lacks.

Upon motion by Mr. James, the letter and telegram submitted by the Assistant Secretary were approved.

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Draft of reply to letter dated January 12th from the Deputy Governor of the Federal Reserve Bank of Atlanta, advising that the bank has reached the conclusion that its self-insurance fund should be carried as additional insurance to meet any loss not otherwise covered, and that the bank should not make a reduction in coverage now carried, as the amount is relatively small compared with the amount of currency and securities held; the proposed reply stating that the Board does not desire to indicate to the Federal Reserve banks the classes or amounts of insurance which they should carry, which necessarily must be determined after taking into consideration many factors with which the officials and directors of the banks are best familiar, or to state to what risks self-insurance funds should be assigned.

Upon motion, the proposed letter  
was approved.

Memorandum from Counsel, approved by the Law Committee, submitting draft of reply to memorandum dated January 30th from the Deputy Comptroller of the Currency, raising the question whether certain deposits of the Board of Education of the City of St. Louis in the Security National Bank Savings and Trust Company of St. Louis, are time or demand deposits; the proposed reply stating that the mere fact that the right to withdraw on demand is not usually exercised does not bring these deposits within the requirements of the Board's regulations relating to time deposits, and accordingly they must be regarded as demand deposits and subject to a corresponding reserve.

Upon motion, the letter submitted  
with Counsel's memorandum was approved.

Letter dated January 29th from the Federal Reserve Agent at San Francisco, submitting detailed reports of surveys of the classification of

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deposits by member banks in San Francisco and Los Angeles, in connection with the computation of required reserves, conducted in compliance with the request contained in the Board's letter of August 6, 1930.

After discussion, upon motion, the Assistant Secretary was instructed to furnish a copy of the Federal Reserve Agent's letter to each member of the Board, and the matter was referred to Counsel for report through the Law Committee.

Telegram dated February 6th from the Secretary of the Federal Reserve Bank of Cleveland, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

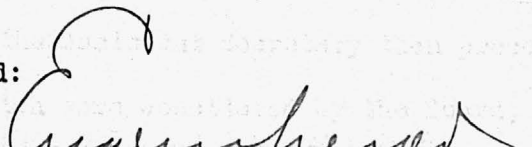
Report of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Philadelphia, Richmond and St. Louis of employees for whom the directors of those banks authorized leaves of absence with pay, on account of illness, during the month of January, where the total of such absences since January 1, 1931 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

The meeting adjourned at 11:35 a. m.

  
Assistant Secretary

Approved:

  
Governor