

Upon call of the Governor a meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Governor on Friday, February 20, 1931, at 3:30 p. m.

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

ALSO PRESENT: Mr. Wyatt, General Counsel
Mr. Drinnen, Examiner in Charge.

Consideration was given to alternative drafts of letters to the Federal Reserve Bank of St. Louis, prepared by Messrs. Wyatt and Drinnen in accordance with instructions given at the meeting of the Board on February 11th, with reference to the alleged policy of the St. Louis bank in the granting of accommodation to member banks, reported by Mr. Drinnen at the meeting of the Board on February 11th and discussed in the report of the examination of the Federal Reserve Bank which was recently completed.

After some discussion, upon motion, it was voted to transmit a letter to the Chairman of the Board of Directors of the St. Louis bank reading as follows:

"Your attention is invited to the statement appearing on page 11 of the report of the examination of the Federal Reserve Bank of St. Louis as of January 24, 1931, under the caption, 'Collateral Requirements.'

"If the Federal Reserve Bank of St. Louis has adopted a general policy or practice of (1) declining to rediscount eligible commercial and agricultural paper and granting credit accommodations to its member banks on paper of this character only in the form of advances for periods not exceeding fifteen days on their promissory notes secured by such paper, (2) requiring marginal collateral on advances made by it to member banks without regard to the condition of each borrowing bank, the character of the paper offered, the total amount borrowed by such bank or other similar facts and circumstances affecting each individual case, or (3) requiring a certain minimum percentage of marginal collateral of all borrowing banks outside of Federal Reserve cities, without applying the same requirements to banks located in Federal reserve cities, such action would appear to be out of harmony with the spirit and purpose of the Federal Reserve Act,

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"if not contrary to the provisions of the Act itself. It is also believed that the adoption of any such policy or practice might add to any feeling of uneasiness existing in your District and tend to prevent member banks from availing themselves of the facilities of the Federal Reserve Bank of St. Louis to the extent which might be justified by conditions in the territory.

"You are requested to address a letter to the Federal Reserve Board clearly describing the policy and practice of the Federal Reserve Bank of St. Louis with respect to the method of granting credit accommodations to member banks on eligible commercial and agricultural paper, the requiring of marginal collateral, and the percentages of marginal collateral required of Federal reserve city banks and of banks outside of Federal reserve cities, both under the revised policy adopted by your Executive Committee during the recent examination of your bank and during the three months preceding the adoption of such revised policy. Please advise the Board whether any general policy or practice adopted by your bank on this subject was authorized or approved by your Board of Directors and also whether you have received any unfavorable reaction from your member banks.

"By Order of the Federal Reserve Board."

The Governor then presented for consideration by the Committee a letter dated February 19th from the Assistant Federal Reserve Agent at New York, recommending approval of an application of the American Union Bank, New York, New York, for permission to reduce the capital stock of the bank from \$2,000,000 to \$1,000,000, transferring this amount to undivided profits for the purpose of setting up such reserves as may be advisable at the time of the next examination, and charging off such losses as may be shown.

After discussion, the Assistant Secretary was instructed to advise the Assistant Federal Reserve Agent that the Board does not feel that it has information regarding the condition of the member bank at the present time on which to base consideration of the proposed reduction in capital and, therefore, action on the application will be deferred until a more recent report of the bank can be submitted.

He was also instructed to request that when the matter is resubmitted to the Board following the next examination it be accompanied by a

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recommendation of the Executive
Committee of the Federal Reserve
Bank of New York.

The meeting adjourned at 3:50 p. m.

Mr. Boardman
Mr. James
Mr. Hoie
Mr. Hollister, Assistant Secretary

E. W. Woodruff
Assistant Secretary.

Approved:

E. W. Woodruff
Governor.