

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, March 2, 1931, at 11:15 a. m.

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

PRESENT ALSO: Mr. J. H. Case, Chairman of the Federal Reserve Bank of New York.

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

Telegram dated February 27th from the Chairman of the Federal Reserve Bank of Chicago, advising that the Board of Directors, at its 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 letter dated February 25th from the Secretary of the Federal Reserve Bank of Cleveland, requesting approval by the Board of an increase from \$6,000 to \$7,500 per annum under the bank's personnel classification plan, in the maximum salary for the position of Chief Examiner; the Board's Committee recommending approval.

Approved.

Letter dated February 27th from the Secretary of the Federal Reserve Bank of Chicago, advising of an amendment to Article II of the bank's by-laws, authorizing the board of directors to appoint from its members persons to serve as members of the Executive Committee during the absence

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of any of the regular members of that committee.

Noted.

Memorandum from Counsel dated February 28th, submitting copy of Senate Resolution 305, agreed to by the Senate on February 26th, which puts the Senate on record as being of the opinion that the Department of State has no authority with respect to foreign investment loans floated in this country and that the Department should refrain from assuming authority over the Federal Reserve Board and Federal Reserve banks, or officials thereof.

Noted.

Memorandum from Counsel dated February 27th, submitting draft of a resolution, prepared at the suggestion of Mr. Hamlin, prescribing a uniform policy for the Federal Reserve Board with respect to granting state member banks permission to purchase stock in other banks; Counsel also submitting data from the Board's records regarding the condition of membership limiting the purchase of bank stocks by member banks.

Ordered circulated.

Matter approved on initials by the Executive Committee on February 28th, namely telegram to the Governors of all Federal Reserve banks, reading as follows:

"Bill increasing loan basis of adjusted service certificates became law yesterday. Principal changes are (1) Loan value of veteran's certificate immediately increased to 50 per cent of face value, and (2) Rate of interest charged on loans made subsequent to amendment must not in any event exceed 4 1/2 per cent, compounded annually. As to all loans made on or after February 27, 1931, the rate of interest must not exceed (a) simple interest at a rate not exceeding by more than 2 per cent the Federal reserve discount rate of the district of the lending bank, or (b) 4 1/2 per cent interest compounded annually, whichever is the lower. Regulation G must be changed slightly to conform to these changes in law and new regulation will be promulgated within next few days. In meantime, you may answer inquiries by saying that loans conforming to regulations with

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above changes will be eligible for rediscount; provided, of course, they conform in all other respects to the law, the Board's regulations, and the regulations of the Administrator of Veterans' Affairs."

Formally approved.

The Governor then made a short verbal report of a conference in his office this morning with General Frank T. Hines, Director of the Veterans' Bureau, with regard to the extension of loans to veterans under the World War Adjusted Compensation Act, as amended, after which the Executive Committee had some discussion of the matter with Mr. Case.

At this point Mr. Miller left the meeting.

Reference was then made to the letter received from Deputy Governor Gilbert of the Federal Reserve Bank of New York under date of February 4th, requesting approval of several changes in the personnel classification plan of the New York bank, made effective before being submitted to the Board, on which action was deferred at the meeting of the Board on February 11, 1931.

After some discussion, during which Mr. Case assured the Board that in the future no changes in the personnel classification plan of the New York bank will be made without first securing the approval of the Federal Reserve Board, the changes outlined in Mr. Gilbert's letter were approved.

The Governor then submitted and the Board discussed with Mr. Case a memorandum from Counsel dated February 12th with regard to reporting to the Department of Justice possible violations of the Federal criminal statutes by Mr. James Hume, Assistant Vice President of the Bank of Montclair, Montclair, New Jersey, which Mr. Case had reported to the Board with a suggestion that they be not referred to the Attorney General; Counsel submitting with his memorandum drafts of letters to the Attorney General calling the matter to his attention for such action as he may consider advisable, which is in accordance with the Board's established policy, and

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to the Federal Reserve Agent at New York, requesting that he report the matter to the local United States Attorney.

At the conclusion of the discussion, upon motion, the letters submitted with Counsel's memorandum were approved and ordered transmitted.

REPORTS OF STANDING COMMITTEES:

- Dated, February 27th Recommending a change in stock at a Federal Reserve Bank, as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, February 27th Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, February 27th Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.

The meeting adjourned at 12:00 o'clock noon.

C. W. McClelland
Assistant Secretary.

Approved:

Engelbrecht
Governor.

(Executive Committee)

AUXILIARY MINUTES
(March 2, 1931)

Report of Standing Committee dated February 27th, recommending a change in stock at a Federal Reserve Bank, approved as follows:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 3.</u>		
First National Bank of Haddon Heights, N.J.	90	90

Report of Standing Committee dated February 27th, recommending action on an application for fiduciary powers by the following bank:

HELD:

DISTRICT NO. 7.

ILLINOIS:
The Edgar County National Bank of Paris. (3341)

Report of Standing Committee dated February 27th, recommending action on an application for admission to membership by the following state institution, subject to the conditions stated in the report attached to the application:

<u>APPROVED:</u>	<u>Name</u>	<u>Shares</u>	<u>F.R. Bank</u>
	First State Bank, Robert Lee, Texas.	42	Dallas

C. W. McClelland
Assistant Secretary.

Approved: *[Signature]*
Governor.