

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, March 11, 1931, at 11:30 a. m.

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

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

Memorandum dated March 7th from the Comptroller of the Currency advising of the resignation of Mrs. Maude Williams, money counter in the Federal Reserve Issue and Redemption Division, effective at the close of business March 8, 1931.

Noted.

Report of Committee on District No. 11, submitting draft of reply to letter dated March 7th from the Federal Reserve Agent at Dallas reporting continuous average reserve deficiencies on the part of the First National Bank, Rotan, Texas, for six consecutive months ending February 15th; the proposed reply advising that the Board will be guided by the Agent's recommendation that it take no action at this time, noting that he will again address a communication to the institution with regard to the importance of maintaining its required reserves and will advise the Board further in due course.

Upon motion, the proposed letter was approved, as amended.

Memorandum from Counsel dated March 10th submitting drafts of a letter to the Deputy Governor of the Federal Reserve Bank of New York and a proposed circular letter to all other Federal Reserve banks,

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advising against the acceptance of "continuation certificates" as receipts for the payment of premiums on bonds covering Federal Reserve agents and assistant Federal Reserve agents; the proposed letters (1) pointing out that the standard form of bond approved by the Board runs for an indefinite period and that a modification of the provisions of the standard bond through the acceptance of yearly continuation certificates, might have the effect of jeopardizing or complicating the enforcement of the liability of the surety company on the bond, and (2) advising that if a continuation certificate has been heretofore accepted with regard to any bond now outstanding, a new bond should be executed in each such case.

After discussion, upon motion, the proposed letter to the Deputy Governor of the New York bank was approved, but, pending reply thereto, action on the proposed circular letter was deferred.

Memorandum from Counsel dated March 7th, submitting drafts of letters to the Attorney General of the United States and the Federal Reserve Agent at Kansas City with respect to possible violations of the criminal provisions of the revised statutes referred to in the report of a recent examination made by state authorities of the State Bank of Winfield, Kansas.

After discussion, upon motion, it was voted to defer any report to the Attorney General until after the alleged irregularities can be further investigated during the course of an examination of the member bank which is to be made by Federal Reserve examiners in the near future.

Memorandum from Counsel dated March 7th submitting draft of letter to the Federal Reserve Agent at Dallas, with regard to stock in the Citizens State Bank of Memphis, Texas, held by the President of the member bank as administrator of an estate to which the bank has a loan outstanding; the

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proposed letter advising that while it may not be said that the trans-
action technically violates the prohibition of law against a state member
bank's lending on or purchasing its own stock, it is contrary to the spirit
of the statute and should be adjusted.

After discussion, upon motion, Counsel's
memorandum and the proposed letter to the
Federal Reserve Agent were referred back to
the Law Committee for further consideration.

Telegram dated March 10th from the Assistant Federal Reserve Agent at
Dallas inquiring (1) as to the right of the Federal Reserve bank to pay
interest at the rate of one-half of one per cent per month since the date
of its last dividend to the First State Bank, Spearman, Texas, whose
voluntary withdrawal from membership becomes effective on March 22nd, in
view of the fact that the earnings of the Federal Reserve bank at the present
time show an operating deficit and (2) requesting advice as to the Board's
interpretation of what constitutes the book value of Federal Reserve bank
stock.

After discussion, upon motion, it was voted
to advise that since payments of dividends out
of surplus heretofore have been authorized, under
an opinion previously received from the Attorney
General of the United States, the Federal Reserve
Bank of Dallas is authorized until otherwise
advised, to pay interest at the rate of one-half
of one per cent per month from the date of the
last dividend to withdrawing member banks out of
surplus when current earnings are not sufficient.

It was also voted to advise the Assistant
Federal Reserve Agent at Dallas that under existing
circumstances the question of what constitutes the
book value of Federal Reserve bank stock is an
academic one on which the Board is not prepared
to rule.

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REPORTS OF STANDING COMMITTEES:

Dated, March 11th Recommending changes in stock at Federal Reserve banks,
as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.

The meeting adjourned at 12:30 p. m.

E. W. McCalland
Assistant Secretary

Approved:

Eugene Meyer
Governor

(Executive Committee)

AUXILIARY MINUTES
(March 11, 1931.)

Reports of Standing Committee dated March 11th, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 2.</u>		
Peoples Banking & Trust Co., Elizabeth, N. J. (Insolvent)	360	360
<u>District No. 6.</u>		
City National Bank in Miami, Miami, Fla. (Insolvent)	600	
National Bank of Wilkes, Washington, Ga. (Insolvent)	<u>96</u>	696
<u>District No. 9.</u>		
First National Bank, Kenmare, N. Dak. (V.L.Abs. by Kenmare National Bank)	<u>24</u>	<u>24</u>
	<u>Total</u>	<u>1,080</u>

E. W. Woodland
Assistant Secretary.

Approved:

[Signature]
Governor.