

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, May 4, 1931 at 11:30 a. m.

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

The minutes of the meetings of the Executive Committee of the Federal Reserve Board, held on April 21st, 22nd, and 28th were approved, and upon motion, the actions recorded therein were ratified.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board with the Conference of Governors and the Open Market Policy Conference, held on April 30th, were also approved.

The Assistant Secretary reported receipt on May 1st of letter dated April 30th from the Secretary of the Federal Reserve Bank of New York, submitting a request of the board of directors that the Board reduce to 1 per cent the rate established by it as the minimum authorized buying rate for the purchase of bankers' acceptances at that bank, and stated that in accordance with the action taken at the meeting of the Executive Committee on April 30th, he advised the New York bank that the Board had voted to reduce the minimum buying rate to 1 per cent.

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

Matter approved on initials of the Executive Committee on May 2nd, namely, telegram dated May 2nd from the Chairman of the Federal Reserve Bank of Chicago, requesting that the Board authorize a reduction in the minimum authorized buying rate on acceptances of the Chicago Bank to 1 per cent.

Formally approved.

5/4/31

Matter noted with approval by the Executive Committee on May 2nd, namely, telegram dated May 2nd from the Chairman of the Federal Reserve Bank of Chicago, advising of the establishment of the following schedule of effective buying rates on bankers' acceptances:

1 to 45 days	1 1/4%
46 to 120 days	1 3/8%
121 to 180 days	2%

There being no objection, the informal action of the Committee was ratified.

Matters noted with approval by the Executive Committee on April 30th and May 2nd, respectively, namely, telegram dated April 30th from the Secretary of the Federal Reserve Bank of Minneapolis and letter dated April 27th from the Chairman of the Federal Reserve Bank of Dallas, advising of the establishment at those banks of the following schedule of effective buying rates on bankers' acceptances:

1 to 45 days	1 1/4%
46 to 120 days	1 3/8%
121 to 180 days	2%
Repurchase	1 3/8%

There being no objection, the informal action of the Committee was ratified.

Matter informally approved by the Executive Committee on May 2nd, namely, memorandum dated April 30th from the Board's Examiner in Charge recommending the appointment, effective May 16, 1931, of Mr. J. Fred English as an Assistant Examiner at a salary of \$2,100 per annum.

Formally approved.

Report of Executive Committee on letter dated April 28th from the Comptroller of the Currency, recommending approval of a salary of \$3,000

5/4/31

-3-

per annum for National Bank Examiner Hugh M. Walker, assigned to the Fourth Federal Reserve District; the Board's Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated May 1st from the Deputy Governor of the Federal Reserve Bank of Boston, submitting list of employees for whom the directors approved leaves of absence with pay, on account of illness, during the month of April, 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.

Report of Committee on Salaries and Expenditures on letter dated April 30th, from the Chairman of the Federal Reserve Bank of Chicago, requesting approval by the Board of the establishment by that bank of a fund of \$10,000, to be administered by a committee of officers appointed by the Governor, for the purpose of making temporary loans to needy employees; the Board's Committee recommending approval.

Approved.

Letter dated April 30th from Congressman Homer Hoch, stating that he has been advised by the Crowell Elevator Company of Omaha, that it is obtaining money from New York on bankers' acceptance paper at 2 3/4% and 3%, and inquiring whether loans are being made through Federal Reserve banks at these rates, and if so, to what extent.

Upon motion, the letter was referred to the Director of the Division of Research and Statistics for preparation of a reply.

Letters dated April 27th and 28th from Deputy Governor Crane of the Federal Reserve Bank of New York, advising that on those dates the

5/4/31

-4-

bank earmarked \$1,000,000 and \$500,000, respectively, in United States gold coin for the Argentine Ambassador in Washington, under the same terms as governed previous transactions of this kind.

Noted.

Matter informally approved on April 30th, namely, telegram dated April 30th from the Assistant Federal Reserve Agent at Chicago, requesting approval by the Board of the temporary designation of three employees of the bank as Assistants to Examiners in connection with the examination of the Fletcher Savings and Trust Company, Indianapolis, Indiana; the Assistant Federal Reserve Agent having since advised, in his letter of May 1st, that Messrs. C. T. Laibly, M. B. Smith and Henry B. Tesmer have been designated.

Formally approved.

Letter dated April 30th from the Chairman of the Federal Reserve Bank of Chicago, advising that the Board's ruling of April 28th, with regard to the establishment by state member banks of branch offices authorized by a recent Iowa statute, is not being communicated to member banks in that state except upon inquiry, but that it has been forwarded to the Iowa State Banking Superintendent, to whom applications for such branch offices must be made.

Noted.

Letter dated April 30th from the Federal Reserve Agent at Richmond, stating that the Putnam County Bank of Hurricane, West Virginia, previously reported to the Board for continued reserve deficiencies, has maintained the required reserve through two consecutive computation periods, and that while the case is one which requires careful watching, he is of the opinion that there is nothing in the situation calling for action by the Federal Reserve Board at the present time.

5/4/31

-5-

837

Noted, with approval.

Memorandum from Counsel dated April 23rd, on which action was deferred at the meeting on April 29th, with regard to the request of the Pennsylvania Company for Insurances on Lives and Granting Annuities of Philadelphia, that the Board reconsider its ruling that the bank, since its consolidation with the Colonial Trust Company, is subject to a condition of membership imposed upon the latter institution, requiring the consent of the Federal Reserve Board prior to the purchase of stock in any other bank or trust company.

After some further discussion, the memorandum was referred to Mr. Hamlin for the purpose of taking up with Counsel certain legal phases of the matter.

Matter approved on initials of Executive Committee on April 30th, namely, reply to telegram dated April 30th from the Federal Reserve Agent at Dallas, inquiring whether the Board would interpose any objection to that bank authorizing the Senate Sub-committee which is conducting a banking investigation, to publish as an appendix to the report of its hearings, the replies submitted by the Dallas bank to questionnaires received from the Committee, other than those marked confidential; the telegram to Mr. Walsh stating that the Board has no objection.

Formally approved.

Memorandum from Counsel dated April 24th, calling attention to the fact that since the Board granted permission to Mr. Isaac M. Scott to serve as a director of the Peoples Savings and Trust Company of Pittsburgh, the First National Bank of Pittsburgh and the National Bank of West Virginia, Wheeling, West Virginia, the trust company has consolidated with the

5/4/31

-6-

Pittsburgh Trust Company to form the Peoples-Pittsburgh Trust Company, which in turn has since consolidated with a number of other banks; the memorandum submitting draft of a letter to the Federal Reserve Agent at Cleveland requesting a detailed statement as to the extent, if any, to which the consolidations in which the Peoples-Pittsburgh Trust Company has participated have affected competition between that institution and the First National Bank of Pittsburgh, or other institutions which members of its board of directors may be serving under permits previously granted by the Board.

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

Memorandum from Counsel dated April 29th calling attention to the fact that it appears from an investigation of the Board's records that the Federal Reserve Banks of Boston and Richmond are now assessing progressive penalties against their member banks for deficiencies in reserves without having obtained authority from the Board as contemplated by Section IV(c) of Regulation D. With his memorandum, Counsel submitted drafts of letters to the Boston and Richmond banks suggesting that they now request the Board formally to prescribe progressive penalties for their districts; and recommended (1) that the Board request the Committee on Reserves to make a special study and report as to the effectiveness and desirability of assessing progressive penalties for deficiencies in reserves, since seven banks are now doing so, while five are not; (2) that upon receipt of such report the Board amend regulation D so as to either (a) abolish the progressive penalty or, (b) make it mandatory and uniformly applicable to all Federal Reserve districts; and (3) that in order not to prejudice the handling of the case of Lucas v. Federal Reserve Bank of Richmond, the Board postpone until

5/4/31

-7-

after the litigation is terminated any consideration of the question whether the Federal Reserve banks which have assessed progressive penalties without obtaining proper authorization from the Federal Reserve Board should reimburse their member banks.

Upon recommendation of the Law Committee, and after discussion, the proposed letters to the Boston and Richmond banks were approved, and it was voted to request the Committee on Reserves to make a study and report in accordance with Counsel's recommendation.

Report of Executive Committee on letter dated April 28th from the Comptroller of the Currency, recommending approval of the application of the Springfield Chapin National Bank and Trust Company of Springfield, Mass., for permission to reduce its capital from \$1,500,000 to \$750,000, on condition that the capital be immediately increased to \$1,000,000, which increase shall be paid in in cash before the reduction is effected, and that instead of setting up a reserve account of \$1,325,000, as proposed by the bank, that amount of unsatisfactory assets, including those classified as losses in the last report of examination, be immediately charged off.

Upon recommendation of the Executive Committee, the application was approved subject to the conditions recommended by the Comptroller of the Currency.

Report of Executive Committee on memorandum dated April 29th from the Acting Comptroller of the Currency, recommending approval of the application of the First National Bank of Montgomery City, Missouri, for permission to reduce its capital from \$75,000 to \$50,000 on condition that the entire amount of the reduction, together with \$5,000 from surplus, a total of \$30,000, be used to eliminate all losses set up by the Examiner, the entire depreciation in the investment account of the bank, all doubtful

5/4/31

paper, and to effect a slight reduction in the paper classified as slow.

Upon recommendation of the Board's Committee, the application was approved subject to the conditions recommended by the Comptroller.

Letter dated April 28th from the Federal Reserve Agent at New York, commenting on the banking situation in the Second Federal Reserve District during recent months.

The letter having been previously circulated among the members of the Board, was noted.

REPORTS OF STANDING COMMITTEES:

- | | | | | | | |
|-------------------|------|------|---------|-----|-----|---|
| Dated, April 28th | 29th | 30th | May 1st | 2nd | 4th | Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date. Recommendations approved. |
| Dated, May 1st | | | | | | Recommending approval of the application of Mr. Chas. H. Loucks, for permission to serve at the same time as a director and officer of the First National Bank of Scottdale, Pa., and as a director of the National Bank and Trust Company of Connellsville, Pa. Approved. |
| Dated, May 1st | | | | | | Recommending approval of the application of Mr. F. W. MacKenzie, for permission to serve at the same time as a director of the Chevy Chase Savings Bank of Washington, D. C., and as a director of the Second National Bank of Washington, D. C. Approved. |
| Dated, May 1st | | | | | | Recommending approval of the application of Mr. E. J. Murphy, for permission to serve at the same time as a director of the Chevy Chase Savings Bank of Washington, D. C., and as a director of the District National Bank of Washington, D. C. Approved. |
| Dated, May 4th | | | | | | Recommending approval of the application of Mr. T. W. Synnott, for permission to serve at the same time as a director of the First National Bank of Glassboro, N. J., as a director of the Camden Safe Deposit and Trust Co., of Camden, N. J., and as a director of the Real Estate Trust Company, Philadelphia, Pennsylvania. Approved. |

5/4/31

The meeting adjourned at 12:40 p. m.

C. W. McClelland
Assistant Secretary

Approved:

C. W. McClelland
Governor

AUXILIARY MINUTES
(May 4, 1931)

Reports of Standing Committee dated April 28th, 29th, 30th, May 1st, 2nd and 4th, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 8.</u>		
First National Bank in Cowgill, Missouri.	21	21
<u>District No. 9.</u>		
First National Bank in Anoka, Minnesota.	36	36
	Total	57
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 1.</u>		
Framingham National Bank, Framingham, Mass.	60	
Wolfeboro National Bank, Wolfeboro, N. H.	24	
Newton Trust Company, Newton, Massachusetts.	96	180
<u>District No. 7.</u>		
Bank of Kalamazoo, Kalamazoo, Michigan.	21	
First National Bank & Trust Co., Ann Arbor, Mich.	60	81
	Total	261
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 5.</u>		
First National Bank, Worthington, W. Va. (Insolvent)	30	30
<u>District No. 6.</u>		
First National Bank, La Pine, Ala. (Insolvent)	21	
Bank of Wetumpka, Wetumpka, Ala. (V.L.Abs. by First National Bank of Wetumpka)	27	
Exchange National Bank, Fitzgerald, Ga. (Insolvent)	135	183
<u>District No. 7.</u>		
First National Bank, Rockwell, Iowa. (Insolvent)	21	
First National Bank, Oakford, Ill. (V.L.Abs. by State National Bank of Petersburg, Ill.)	18	
American State Bank, Highland Park, Mich. (V.L.Abs. by Highland Park State Bank)	180	
Farmers & Merchants National Bank, Roseville, Ind. (V.L.Abs. by National Bank of Mommouth, Ill.)	45	
First National Bank, Davenport, Iowa. (V.L.Abs. by Union Savings Bank & Trust Company)	360	624
<u>District No. 8.</u>		
First National Bank, Sesser, Ill. (Insolvent)	30	
First National Bank, Ullin, Ill. (Insolvent)	19	49

5/4/31

-2-

	<u>Shares</u>	
<u>District No. 9.</u> Security National Bank, Hope, N. Dak. (Insolvent)	18	18
<u>District No. 10.</u> First National Bank, Pawhuska, Oklahoma. (V.L.Suc. by Citizens-First National Bank)	66	66
<u>District No. 11.</u> Farmers National Bank, Hillsboro, Texas. (V.L.Suc. by Central Bank & Trust Company)	75	75
<u>District No. 12.</u> Central National Bank in Los Angeles, Calif. (V.L.terminal)	360	360
	<u>Total</u>	<u>1,405</u>

E. W. McClelland
Assistant Secretary.

Approved:

E. W. McClelland
Governor.