

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, May 11, 1931 at 11:00 a. m.

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

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

Letter dated May 8th from the Secretary of the Federal Reserve Bank of Cleveland, requesting approval by the Board of a minimum authorized rate of $1 \frac{1}{8}\%$, fixed by his directors, for purchases of bankers' acceptances.

Approved.

Letter dated May 8th from the Chairman of the Federal Reserve Bank of Dallas, advising of the establishment on that date of an effective buying rate of $1 \frac{1}{2}\%$ for bankers' acceptances maturing within from 121 to 180 days.

Without objection, noted with approval.

Letter dated May 8th from the Chairman of the Federal Reserve Bank of Kansas City, transmitting the formal resignation of Mr. Wayland W. Magee as a Class C Director of the Federal Reserve Bank of Kansas City; the letter stating that the resignation had been accepted by the board of directors of the Kansas City bank, so that Mr. Magee could qualify at any time as a member of the Federal Reserve Board.

Upon motion, the resignation of Mr. Magee was accepted.

In connection with Mr. Magee's appointment as a member of the Board, attention was called to a provision of law prohibiting the payment of

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salary to any person appointed during the recess of the Senate, to fill a vacancy in any existing office, if the vacancy existed while the Senate was in session and was by law required to be filled by and with the advice and consent of the Senate, until such appointee has been confirmed by the Senate.

It was the consensus of opinion that this provision is applicable in the case of Mr. Magee, and that the matter should be brought to his attention upon his arrival in Washington.

Letter dated May 2nd from the Assistant Federal Reserve Agent at Chicago, advising of the action of the Davison State Bank, Davison, Michigan, a member bank, in absorbing on March 2, 1931, the Farmers State Bank of Davison, a non-member institution; the letter stating that the Executive Committee of the Chicago bank is of the opinion that the merger will result in no change in the general character of the assets or broadening of the functions now exercised by the member bank.

Upon motion, it was voted to interpose no objection to the action of the Davison State Bank.

Letter dated May 8th from the Chairman of the Federal Reserve Bank of Chicago, advising of the appointment, on that date, of Mr. John Ballantyne, Chairman of the Board of the First National Bank of Detroit, and President of the Detroit Bankers Company, as a director of the Detroit Branch for the unexpired portion of the term ending December 31, 1932, to succeed Mr. Julius H. Haass, deceased.

Noted.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Cleveland, Atlanta, and Kansas City,

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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.

Memorandum dated May 9th from the Assistant Secretary, approved by the Governor, reporting telephone advice from the Governor of the Federal Reserve Bank of Cleveland that, because of a mistaken belief that Washington was on daylight saving time, an error was made at the Cleveland bank and the discount rate reduction to $2\frac{1}{2}\%$ was announced at two o'clock on May 8th instead of the official hour for release of three o'clock; the memorandum suggesting that in view of this explanation, there is no need for forwarding the letter with regard to this matter, which was approved at the meeting on May 9th.

Upon motion, it was voted that the proposed letter should not be sent.

Memorandum dated May 1st from the Board's Examiner in Charge, with reference to the unsatisfactory condition of the Citizens Bank and Trust Company of Pocatello, Idaho, as disclosed by the last report of examination; the Examiner stating that he concurs in the recommendation of the Executive Committee and the Federal Reserve Agent of the Federal Reserve Bank of San Francisco that no action be taken by the Board at this time pending receipt of a reply from the bank to a letter written by the State Banking Commissioner, and advice from the Commissioner as to the attitude of his department and the steps he proposes to take in order that the bank's capital may be restored and its affairs placed in a more satisfactory

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condition.

Upon motion, it was voted to advise the Federal Reserve Agent at San Francisco along the lines recommended by the Examiner.

Memorandum from Counsel dated May 1st, submitting draft of letter to Mr. Carroll H. Woody, Principal Investigator of the President's Research Committee on Social Trends, on the subject of Federal Reserve Board activities, prepared after consultation with Mr. Hamlin, to whom the matter was referred at the meeting on April 21st.

The proposed letter having been previously circulated among the members of the Committee, was approved and ordered transmitted.

Telegram dated May 9th from the Federal Reserve Agent at Dallas, advising that a proposed merger into the Commercial-American Bank and Trust Company of Shreveport, La., recently admitted to membership, of the Continental Trust and Savings Bank of Shreveport, will be presented to the stockholders of the latter institution tomorrow, and that Mr. W. J. Evans, Assistant Federal Reserve Agent, Mr. Ben Johnson, President of the Commercial National Bank of Shreveport, and Mr. Jacob Embry, National Bank Examiner, will arrive in Washington some time today to submit the proposal for approval by the Board.

The Assistant Secretary stated that the gentlemen referred to are now in his office, and they were invited into the meeting.

Mr. Evans presented to the Board the member bank's formal request for approval of its contemplated merger, a report of an examination of the non-member bank just completed by a Federal Reserve examiner, and the formal recommendation of the Executive Committee of the Federal Reserve Bank of

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Dallas that the merger be approved by the Federal Reserve Board upon condition that all assets of the Continental Trust and Savings Bank classified as doubtful or loss shall be eliminated from the bank's assets before the merger becomes effective.

Mr. Johnson then presented to the Board an agreed classification of the assets of the two banks concerned as of May 2, 1931, and a combined statement of the proposed Commercial-American Bank and Trust Company after the consolidation. The classification of the assets of the Continental Trust and Savings Bank as shown by the statement submitted and the proposed plan of consolidation as outlined by Mr. Johnson, were discussed in detail.

Messrs. Johnson and Embry then withdrew from the meeting and Mr. Evans explained to the members present that it was the opinion of his Executive Committee that a majority of the loans of the Continental Trust and Savings Bank classed as slow had become subject to that criticism because of the lax collection policy of the non-member bank, and that in his committee's opinion, under the new management, a large majority of the slow assets will be placed in a more liquid and satisfactory condition.

Some further discussion followed, at the conclusion of which, upon motion, it was voted to approve the proposed merger on the condition recommended by the Executive Committee of the Federal Reserve Bank of Dallas.

REPORTS OF STANDING COMMITTEES:

- Dated, May 11th Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, May 11th 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.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, May 7th Recommending approval of the application of Mr. O. L. Biedenham, for permission to serve at the same time as a director and officer of the First National Bank of Shreveport, La., as a director of the State National Bank of Texarkana, Ark., and as a director of the Kilgore National Bank of Kilgore, Texas.

Approved.

Dated, May 11th Recommending approval of the application of Mr. Crispin Oglebay, for permission to serve at the same time as a director of the National Bank of West Virginia of Wheeling, W. Va., and as a director of the Central United National Bank of Cleveland, Ohio.

Approved.

The meeting adjourned at 12:00 noon.

E. W. Cleveland
Assistant Secretary.

Approved:

Eugene C. ...
Governor.

(Executive
Committee)

AUXILIARY MINUTES
(May 11, 1931.)

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

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u>		
National Bank of Fitzgerald, Fitzgerald, Ga.	72	72
 <u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 2.</u>		
First National Bank, Branchville, N. J.	15	15
 <u>District No. 12.</u>		
First National Bank, Elma, Washington.	1	
Tekoa State Bank, Tekoa, Washington.	9	10
	Total	25
 <u>Application for SURRENDER of Stock:</u>		
<u>District No. 12.</u>		
First National Bank of Hillyard, Spokane, Wash. (V.L. Abs. by United Hillyard Bank, Spokane)	24	24

Report of Standing Committee dated May 11th, recommending action on 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>
	Dover Trust Company of Dover, N. J.	270	New York

E. W. McClelland
Assistant Secretary.

Approved: *E. J. [Signature]*
Governor.