

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, May 15, 1931, at 11:30 a. m.

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

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

Letter dated May 14th from the Secretary of the Federal Reserve Bank of New York, 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.

Telegram dated May 14th from the Secretary of the Federal Reserve Bank of Atlanta, advising of the establishment of the following schedule of effective buying rates on bankers' acceptances:

1 to 15 days	1%
16 to 120 days	1 1/8%
121 to 180 days	1 1/4%
Repurchase	1 1/4%

Without objection, noted with approval.

Telegram dated May 15th from the Federal Reserve Agent at Richmond, advising of the election on May 14th of Mr. Morton M. Prentis, President of the First National Bank, Baltimore, Maryland, as a director of the Baltimore Branch for the unexpired portion of the term ending December 31, 1933, to succeed Mr. H. B. Wilcox, deceased.

Noted.

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Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of Richmond 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.

Letter dated May 14th from the Chairman of the Federal Reserve Bank of Richmond, advising of an amendment to the bylaws of the Baltimore Branch providing for a change in the date of the regular meeting of the board of directors of the branch from the second Tuesday to the second Wednesday of each month.

Upon motion, the amendment was approved.

Draft of letter, prepared in accordance with the action taken at the meeting yesterday, to the Governors of all Federal Reserve banks, with regard to the request of Mr. S. E. Harris for permission to look over the Board's file of circular letters issued by the Federal Reserve banks to their member banks.

After discussion, the proposed letter, as amended, was approved and ordered transmitted.

Draft of letter to the Federal Reserve Agent at New York, prepared in accordance with the action taken at the meeting of the Board yesterday, requesting further information with regard to the application of the Fiduciary Trust Company of New York, New York, for membership in the Federal Reserve

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System.

Upon motion, the proposed letter was approved.

Memorandum from the Board's Examiner in Charge, calling attention to the fact that the report of the French-American Banking Corporation to the Federal Reserve Board as of December 31, 1930 showed unsecured drafts accepted for the Yokohama Specie Bank in the amount of \$1,000,000, which is \$50,000 in excess of the limit prescribed by the agreement entered into by the corporation with the Federal Reserve Board. In his memorandum the Examiner stated that this matter was taken up with the French-American Banking Corporation which submitted a formal request to the Board for specific approval of the excess line, but that after further discussion of the matter, it was agreed that the line of credit should be reduced to the limit prescribed by the agreement. In this connection the Assistant Secretary presented a letter dated May 11th from the Corporation asking that its request be disregarded, as the credit in question had been reduced to \$950,000.

Noted.

Letter dated May 12th from Mr. C. S. Newhall, Executive Vice-President of the Pennsylvania Company for Insurances on Lives and Granting Annuities, submitted in accordance with the suggestion made at the meeting of the Executive Committee on May 9th, advising that while it is still the opinion of the member bank that its rights, as determined by the conditions of membership under which it was admitted to membership in 1917, are still effective, notwithstanding the fact that the company has since participated in two mergers, the bank would be glad to have the approval of the Federal Reserve Board to carry out its contemplated investment program involving the purchase of an additional 16,070 shares of stock in the Real Estate-Land Title and

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Trust Company, 2,000 additional shares of the Chase National Bank and 1,789 additional shares of the Philadelphia National Bank, if and when suitable opportunities of purchase are presented; the letter further requesting permission to come before the Board at any time in the future when the purchase of additional stock in these or other financial institutions is contemplated.

After discussion, upon motion, the Assistant Secretary was instructed to prepare a letter to the Pennsylvania Company for consideration by the Board at its next meeting.

Memorandum from Counsel dated May 4th with further reference to the consolidation on December 31, 1930 of the Lycoming Trust Company and the Susquehanna Trust Company of Williamsport, Pennsylvania; Counsel expressing the opinion that in the light of additional information furnished by the Federal Reserve Agent at Philadelphia, it does not appear that the consolidation has resulted in such a change in the general character of the assets of the member banks as to constitute a violation of the conditions under which they were admitted to membership in the Federal Reserve System, and that, consequently, it is not necessary that the Board take any action in the matter.

The memorandum also referred to the fact that the consolidated bank carries the common stock of the Lycoming Securities Corporation and the Susquehanna Securities Corporation on its books at an aggregate valuation of \$99,621.87, offset by a specific reserve in a like amount, although the bank holds this stock only to control the securities companies, and has no interest in the assets of the companies except that they serve to guarantee the bank against loss on assets taken over in the consolidation; Counsel suggesting that the member bank be advised that the Board is of the opinion

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that the stock should not be given any value on its books.

After discussion, upon motion, draft of letter to the Federal Reserve Agent at Philadelphia, prepared in accordance with Counsel's opinion and suggestion, was approved and ordered transmitted.

Memorandum from Counsel dated May 6th on letter dated April 27th from the National Bank and Trust Company of Chariton, Iowa, returning the Board's certificate of limited trust powers granted to the bank on April 19, 1930; the letter stating that the certificate is not in accordance with an agreement with the Federal Reserve Board at the time of the organization of the bank. In his memorandum Counsel stated that it appears from previous correspondence between the National bank and the Office of the Comptroller of the Currency that the bank takes the position that the Assistant Federal Reserve Agent at Chicago and the National Bank Examiner assured it that the Federal Reserve Board would grant certain trust powers to the bank other than those actually granted by the Board. The memorandum also suggested that before the Board takes any action in the matter, it (1) request the Federal Reserve Agent at Chicago to confer with the Chief National Bank Examiner and advise the Board whether any representative of the Chief National Bank Examiner or the Federal Reserve Agent made any agreement or had any understanding with the National Bank and Trust Company of Chariton with reference to the granting of trust powers; (2) request advice from the Comptroller of the Currency, as to whether any representative of his office made any such agreement or had any such understanding, and (3) request the member bank to furnish the Board detailed information with regard to the agreement to which it refers.

After discussion, upon motion, drafts of letters submitted by Counsel

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in accordance with his suggestion, were approved and ordered transmitted.

At this point, Mr. Pole joined the meeting and the Board considered the following telegram, addressed to the Governor, under date of May 14th by the Governor of the Federal Reserve Bank of New York:

"Confirming my telephone conversation this morning I have today received a cable from the Bank for International Settlements in which they advise us that the Austrian National Bank has informed them that they would like to have the Bank for International Settlements arrange a central bank credit for 100,000,000 schillings for emergency use only in view of the disturbance following the reorganization of the Oesterreichische credit - anstalt fur handel und gewerbe, of which you have been advised directly by cable. The Bank for International Settlements' cable states that while the Austrian National Bank are of the opinion that at present they do not require any such credit facilities, nevertheless they consider that it will help public confidence to be able to announce it next Tuesday simultaneously with the publication of their current statement which will probably show an increase in their portfolio of between 200,000,000 and 300,000,000 schillings.

"The Bank for International Settlements ask to be advised whether we will be prepared in principle to participate in such an arrangement if invited to do so, and of course subject to our agreement as to details. The Bank for International Settlements advised us that they have been asked to participate to the extent of 40,000,000 schillings and that already the Reichsbank, Bank of England, and National Bank of Belgium have agreed in principle to participate.

"After considering this matter at their meeting today our directors have voted to authorize the officers, if invited, to participate in this arrangement by arranging for a period not to exceed one year to purchase up to the equivalent of not more than \$3,000,000 of prime commercial bills bearing at least two names and endorsed or guaranteed by the Austrian National Bank. It was the understanding of the directors that the undertaking of this bank would be substantially along the lines of our agreements in previous central bank credits. We should very much appreciate the Board's approval of the action taken by our Directors as soon as it may be convenient for them to consider the matter. We would of course expect to offer a participation to all other Federal Reserve Banks if arrangement is consummated."

After discussion, upon motion, it was voted, subject to such details as may be determined by the Federal Reserve Bank of New York, to approve the action of the Board of Directors of that Bank in authorizing the officers to enter into an arrangement for a

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period not to exceed one year to purchase up to an equivalent of not more than \$3,000,000 of prime commercial bills bearing at least two names and endorsed or guaranteed by the Austrian National Bank.

On this motion, Mr. Miller voted in the negative.

REPORTS OF STANDING COMMITTEES:

Dated, May 9th Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.

Dated, May 14th Recommending approval of the application of Mr. D. L. Clark, for permission to serve at the same time as a director of the First National Bank of McKeesport, Pa., and as a director of the Allegheny Trust Company of Pittsburgh.
Approved.

The meeting adjourned at 12:30 p. m.

D. W. McClelland
Assistant Secretary.

Approved: *[Signature]*
Governor.

(Executive Committee)

AUXILIARY MINUTES
(May 15, 1931)

Report of Standing Committee dated May 9th, recommending action on an application for fiduciary powers by the following bank:

APPROVED:

DISTRICT NO. 7.

ILLINOIS:

The Citizens National Bank of Paris. (3350)

E. W. McClelland
Assistant Secretary.

Approved:

[Signature]
Governor.