

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, June 2, 1931, at 11:30 a. m.

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

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

Draft of letter to the Governors and Federal Reserve Agents of all Federal Reserve Banks stating that the Federal Reserve Board, having been advised by Mr. Walter L. Eddy that because of the condition of his health he will be unable to resume his official duties, has reluctantly accepted his resignation as Secretary of the Federal Reserve Board, effective May 31, 1931.

Approved.

Letter dated June 1st from Deputy Governor Gilbert of the Federal Reserve Bank of New York, submitting a list of employees who were granted leaves of absence with pay on account of illness during the month of May, where the total of such absences since January 1, 1931 has exceeded thirty days.

Because of the absence of Mr. James, Chairman of the Committee on Salaries and Expenditures, the report was ordered circulated for the information of the members before taking action.

Letter dated May 27th from the Governor of the Federal Reserve Bank of Atlanta, advising that he has had a study made of the question of assessing progressive penalties on deficient reserves and has come to the conclusion that the progressive penalty could properly be abolished altogether, being of the opinion that it is of no avail in its present application.

Referred to the Committee on Bank Reserves.

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Telegram dated June 1st from the Governor of the Federal Reserve Bank of New York, advising that the credit arrangement with the Austrian National Bank, participation in which by the New York bank was approved by the Board on May 15th, became effective on May 30th, and on June 1st was used to the extent of \$8,400,000 for account of all parties; the telegram also advising that the text of the arrangement will be forwarded to the Board as soon as available.

Noted.

Letter dated May 29th from the Assistant Federal Reserve Agent at Philadelphia, advising that in accordance with the suggestion contained in the Board's letter of May 15th, the Lycoming Trust Company of Williamsport, Pennsylvania, has reduced the carrying value on its books of the common stocks of the Lycoming Securities Corporation and Susquehanna Securities Corporation to the nominal figure of \$1.00 each, and has eliminated the reserves maintained against the carrying values of the securities.

Noted.

Memorandum dated June 2nd from the Examiner in Charge, submitting a copy of report of examination of the First Federal Foreign Banking Corporation, New York City, New York, as at the close of business on April 28, 1931; the memorandum calling attention to an impairment of capital and other criticized matters which have been taken up with the Chairman of the corporation, who will bring the matters before his Board of Directors and advise the Federal Reserve Board immediately as to their action.

Ordered circulated.

Some further discussion was then had with regard to the character of the business proposed to be conducted by the Fiduciary Trust Company of New York City, and the position and responsibility of the Federal Reserve Board should it decide to approve the company's application for membership in the

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Federal Reserve System. No action, however, was taken on the matter.

Consideration was then given by the Committee to the following matters reported in the formal minutes of the Spring Conference of Governors:

(1) Suggestion that hereafter the special one-day certificates issued by the Treasury Department to Federal Reserve Banks to cover overdrafts on tax payment dates, be shown separately in the body of the weekly Federal Reserve bank statement against the caption "Special Treasury Certificates"; the Governors' Conference having approved the recommendation.

After discussion, during which the suggestion was made that before action is taken the proposed change should be discussed with the Treasury Department, the Governor stated he would take the matter up with Undersecretary Mills and report to the Board.

(2) Suggestion that the Board adopt the policy of requiring that at the time of admission of a state bank or trust company to membership in the Federal Reserve System, it shall be free from all known losses and depreciation so that on the date its membership becomes effective its statement will reflect as nearly as possible the value of its assets; it having been voted to be the sense of the Governors' Conference that the policy proposed by the Board is sound in principle.

After discussion, upon motion, it was voted to adopt the proposed policy, and the Assistant Secretary was instructed to prepare a letter to all Federal Reserve agents advising of the Board's action and requesting that the policy be brought to the attention of their committees of directors which pass upon membership applications.

(3) Salary payments to the widows or estates of deceased officers and employees of Federal Reserve banks; regarding which it was voted to be the sense of the Governors' Conference:

"1. That in the event of the death of an officer or employee of a Federal reserve bank, his salary should be paid up to the next succeeding pay day;

"2. That the question whether any further increase in life insurance for officers and employees of a Federal reserve bank is desirable is a matter for the determination of the Board of Directors of that bank subject, if necessary, to the approval of the Federal Reserve Board.

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"3. That this whole question inevitably raises the propriety of further consideration of a pension plan, and that because of the difficulties and delays attached to the consummation of a group pension plan, the Federal Reserve Board should be asked whether it would approve of a reasonable retirement annuity or insurance plan for individual reserve banks along lines that are now considered appropriate and proper for large corporations in this country employing large numbers of workers."

After discussion, upon motion, it was voted, in accordance with the recommendation in the first paragraph above quoted, to rule that in the event of the death of an officer or employee of a Federal Reserve bank, the salary of such officer or employee should be paid up to the next succeeding pay day.

Upon motion, it was also voted to approve the recommendation that the question whether any further increase in life insurance for officers or employees of a Federal Reserve bank is desirable, is a matter for the determination of the board of directors of that bank, subject to the approval of the Federal Reserve Board, but to advise the Federal Reserve banks that the Board will not approve a group life insurance plan for any Federal Reserve bank insuring its officers and employees in excess of an amount equal to one year's salary of each such officer and employee, with a maximum limit of \$10,000.

It was also voted to defer action on the matter of a retirement annuity or insurance plan for individual Federal Reserve banks but to request Counsel to submit for the information of the Board, a review of the past record with regard to a pension plan for employees of Federal Reserve banks.

(4) Compensation for officers and employees of Federal Reserve banks during periods of incapacitation and extended illness, on which the Governors' Conference voted:

"That the payment of salary in whole or in part to incapacitated officers or employees should be determined by each Federal Reserve bank in the light of the circumstances surrounding each individual case. Where the absence exceeds the regular vacation period by thirty days, payment of salary during further leave of absence should be subject to approval by the Board of Directors and reported monthly to the Federal Reserve Board, in accordance with the Board's letter of June 14, 1928 (X-6069)."

After discussion, upon motion, the above action of the Conference was noted with approval.

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(5) Question of the possible desirability of amending the Federal Reserve Act so as to permit a Federal Reserve bank in emergencies, to make advances to member banks on the security of assets other than presently eligible paper, on which it was voted to be the sense of the Governors' Conference:

"That it would be desirable to amend Section 13 of the Federal Reserve Act so as to make it possible for Federal Reserve banks to make advances to their member banks on their promissory notes when secured either by collateral now defined as eligible collateral under the terms of Section 13, or when secured by the deposit or pledge of debentures of Federal Intermediate Credit Banks which have a maturity of not more than six months, or in the case of an emergency when secured by other assets subject to the discretion of the Board of Directors of the Federal Reserve bank and subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board. It was the understanding of the conference that when such notes of member banks are secured by notes, drafts, bills of exchange, or bankers' acceptances, such as are now eligible for rediscount or purchase by Federal Reserve banks, such promissory notes should have a maturity of not more than 90 days sight, exclusive of days of grace, and that when secured in whole or in part by any other collateral, they should have a maturity of not more than 15 days sight, exclusive of days of grace. It is the sense of the conference that if the Federal Reserve Board approves the principles involved in this resolution, it should be asked to consider what would be an appropriate time to request the necessary legislation."

After some discussion, action on this matter was deferred for 30 days.

(6) Desirability of flexibility of interest rates paid on deposits and of bank dividends. The Governors' Conference commended the general tendency on the part of banks in some communities to reduce the rate of interest paid on deposits as good banking policy at this time, and it was the sense of the Conference that where the advice of officers of the Federal Reserve System was solicited, it would be desirable and helpful to point out to inquiring member banks specific instances where the reduction of interest rates on deposits has proved beneficial. The Conference also felt that the matter of a reduction in the rates of dividends paid by member banks, while helpful in many instances, is a matter which should be left with the directors of the member banks.

Noted with approval.

(7) Approval or indorsement by Federal Reserve banks of a corporation organized for the purpose of advertising the benefits derived from membership in the System; the Conference agreeing, without formal action, that the Federal Reserve banks could not with propriety, give approval or support to any such organization.

Noted with approval.

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REPORTS OF STANDING COMMITTEES:

Dated, June 1st 2nd Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.

Dated, May 29th Recommending approval of the application of Mr. Henry Belin, III, for permission to serve at the same time as director of the First National Bank of Scranton, Pa., and as director of the Abington National Bank of Clarks Summit, Pa.  
Approved.

Dated, June 1st Recommending approval of the application of Mr. Marshall Sheppey, for permission to serve at the same time as director and officer of the Harriman National Bank and Trust Company of New York, N. Y., and as director of the Toledo Trust Company of Toledo, Ohio.  
Approved.

Dated, June 1st Recommending approval of the application of Mr. C. M. Preston, for permission to serve at the same time as director and officer of the Hamilton National Bank of Knoxville, Tenn., as director and officer of the Hamilton National Bank of Chattanooga, Tenn., and as director of the Unaka and City National Bank of Johnson City, Tenn.  
Approved.

Dated, June 1st Recommending approval of the application of Mr. George E. Becker, for permission to serve at the same time as director of the Niagara County National Bank and Trust Company of Lockport, New York, and as director of the Union Trust Company of Rochester, New York.  
Approved.

Dated, June 2nd Recommending approval of the application of Mr. John C. Traphagen, for permission to serve at the same time as director and officer of the Bank of New York and Trust Company, New York City, N. Y., as director and officer of the Nyack National Bank of Nyack, N. Y., and as director of the Citizens National Bank and Trust Company of Englewood, N. J.  
Approved.

The meeting adjourned at 1:00 p. m.

*C. W. Hill*  
Assistant Secretary.

Approved: *Eugene Herbert*  
Governor.

AUXILIARY MINUTES  
(June 2, 1931.)

Reports of Standing Committee dated June 1 and 2, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Application for ORIGINAL Stock:</u>	<u>Shares:</u>	
<u>District No. 5.</u>		
First National Bank in Ayden, Ayden, N. C.	30	30
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 1.</u>		
Federal National Bank, Boston, Mass.	55	55
<u>District No. 2.</u>		
Mechanics National Bank and Trust Company, Millville, N. J.	30	30
<u>District No. 7.</u>		
Holland City State Bank, Holland, Mich.	60	60
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	Total	145
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 7.</u>		
First National Bank and Trust Company, East Chicago, Ind. (Vol. Liq. Suc. by First National Bank in East Chicago, Ind.)	150	
United States National Bank of Indiana Harbor at East Chicago, Ind. (Vol. Liq. Suc. by Union National Bank of Indiana Harbor at East Chicago, Ind.)	<hr/>	300
<u>District No. 9.</u>		
First National Bank, Elk Point, South Dakota. (Insolvent)	30	30
<u>District No. 10.</u>		
Montgomery County National Bank, Cherryvale, Kansas. (Insolvent)	36	36
<u>District No. 11.</u>		
Western National Bank, Hereford, Tex. (Vol. Liq. Abs. by First State Bank, Hereford.)	75	75
Security National Bank, Bowie, Texas. (Decrease in surplus)	30	30
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	Total	471

*C. W. McCalland*  
Assistant Secretary.

Approved: *[Signature]*  
Governor.