

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, June 16, 1931, at 10:35 a. m.

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

The Governor presented the following telegram dated June 15th from the Governor of the Federal Reserve Bank of New York, which was received in the Board's offices late yesterday afternoon:

"Referring to the Board's letter of May 15 approving the action of the directors of this bank in authorizing the officers to enter into an arrangement 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 endorsed or guaranteed by the Austrian National Bank we have advised the Board that our participation in this arrangement was finally effected for the equivalent of 7,700,000 schillings and that we have recently purchased bills up to the equivalent of that amount from the Austrian National Bank. We have today received an urgent cable from the Bank for International Settlements stating that that institution and the other central banks participating in this credit to the Austrian National Bank have been asked and have agreed to arrange a further credit to the Austrian National Bank of an additional 100,000,000 schillings provided the Austrian Government is able to borrow externally by means of the sale of its Treasury bonds 150,000,000 schillings to provide funds for the rehabilitation of the Oesterreichische Credit Anstalt and other purposes. Unless the sale of these Austrian Treasury bonds is accomplished this further credit to the Austrian National Bank would not become effective. We have been asked by the Bank for International Settlements to participate in this new credit in dollars for the equivalent of not to exceed 10,000,000 schillings. The Bank for International Settlements will participate in this second credit to the extent of 40,000,000 schillings, the same amount which they took in the first credit.

"After considering this matter today the Executive Committee of our board of directors voted to authorize the officers to participate to the extent of the dollar equivalent of not to exceed 10,000,000 schillings and requested the officers to take such steps as are necessary to make our participation effective.

"The Bank for International Settlements contemplates opening this credit to the Austrian National Bank today and have therefore asked us to telegraph them today as to whether we desire to participate. It should be noted that our directors and the Federal Reserve Board authorized our participation in the first credit to the Austrian National Bank to the extent of \$3,000,000. Our actual

6/16/31

-2-

486

"participation in that credit was about \$1,083,000 and in this second credit would be for a maximum amount of \$1,400,000. In view of the fact, however, that this new arrangement is in the form of a new undertaking I am anxious to report the matter to the Board at once for such further consideration as they may feel to be necessary in the circumstances. Because of the expressed need for haste we should appreciate your advising us promptly of any comments you may feel to be necessary."

The Governor advised the members present that he understands there is a feeling that if the Austrian situation can be settled, the present unsatisfactory conditions in Germany, which have developed subsequent to the Austrian disturbance, might improve somewhat. Conditions in Germany, particularly developments during the last few days, were discussed in detail. During the discussion, the Governor was called from the meeting and upon his return reported that he had just been advised over the telephone by Governor Harrison of the Federal Reserve Bank of New York that because of the acute situation in Vienna and the lack of time in which other arrangements could be made for the external loan of 150,000,000 schillings to the Austrian Government, the Bank of England, at a special meeting today, agreed to advance the entire amount, relying on the cooperation of others to relieve the Bank of England to whatever extent they may be able.

At the conclusion of the discussion, it was voted to approve participation by the New York bank in the credit to the Austrian National Bank as proposed in the telegram quoted above, Mr. Miller not voting.

The Governor then presented the following telegram received in the Board's offices this morning from the Governor of the Federal Reserve Bank of New York under date of June 15:

"We have just received a cable from the Bank for International Settlements advising us that they are arranging today a credit of \$10,000,000 in favor of the National Bank of Hungary and inquiring whether we could care to join with other large central banks in depositing with the Bank for International Settlements immediately

6/16/31

-3-

487

"\$2,000,000 each on a special syndicated account to be employed in assisting the National Bank of Hungary or other central banks in need of emergency relief. The Bank for International Settlements adds that this arrangement is suggested as a matter of first importance in assisting in every way possible in maintaining the gold standard in those countries where it has been adopted. The Bank for International Settlements are inviting other large central banks which participated in Austrian credit to make deposits in this account to provide a means of quick action in cases of need that may arise, for reinforcing confidence and meeting special circumstances.

"At the meeting of our Executive Committee today it was voted, subject to the approval of the Federal Reserve Board, to authorize the officers of this bank to make a special deposit with the Bank for International Settlements in the amount of \$2,000,000, it being understood that this sum would be employed until further notice only for the purpose of purchasing for our account prime commercial bills endorsed by the National Bank of Hungary or of making a secured deposit with the National Bank of Hungary. In either case the amount so used would be pro rata with other participants in the arrangement. It was further understood that the use of these funds to assist in the case of any central bank other than the National Bank of Hungary would be subject to our express approval in advance.

"When we opened an account on our books for the Bank for International Settlements the Board in giving its approval stated that before any reciprocal account is opened with the Bank for International Settlements, the matter shall be taken up with the Federal Reserve Board for approval or disapproval.

"What we are now proposing is in effect a special deposit only for emergency relief. The Bank for International Settlements feels that such concerted action on the part of the large banks of issue through the Bank for International Settlements is the only effective way to handle the acute situation which has now arisen in central and eastern Europe. Isolated credits to specific central banks are too cumbersome to operate and might possibly take too long to arrange to meet an emergency. We should like the Board to consider the opening of this special account with the Bank for International Settlements from that angle and for this particular purpose only.

"We are anxious to cable the Bank for International Settlements at the earliest possible moment and should therefore appreciate advice of the Board's action as promptly as possible."

At the conclusion of the discussion which ensued, the following telegram to the Governor of the Federal Reserve Bank of New York was approved and ordered transmitted, Mr. Miller voting "no".

"Your telegram 15th. Board authorizes participation by your bank in credit to the National Bank of Hungary through the purchase of the equivalent of \$2,000,000 of prime commercial bills endorsed and guaranteed by the National Bank of Hungary and will not object to your making use of

6/16/31

-4-

"the Bank for International Settlements to act as your special agent in this transaction."

Mr. Pole then referred to the fact that several states have recently enacted legislation providing for increased taxation on the capital stock of state and national banks which has resulted in his office receiving several applications from national banks for permission to reduce their capital. He stated that inasmuch as the approval of the Federal Reserve Board, as well as his own, is required before national banks can reduce their capital, he would like to discuss with the Board the matter of the policy to be pursued in acting upon such applications. Mr. Pole also stated that unless the applications received by his office are granted, a number of the applicants may give up their national charters and seek to effect a reduction under a state charter.

During the discussion which followed, it was developed as the consensus of opinion of the members present that the Board should not approve a reduction in any case where such action would amount to a waiver of the proper safeguards of sound banking.

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

Memorandum from Counsel dated June 12th, submitting, in accordance with the action taken at the meeting on June 11th, drafts of letters to the Mercantile-Commerce Bank and Trust Company of St. Louis and to the Lafayette-South Side Bank and Trust Company of St. Louis with regard to the ownership by those banks of the stock of the Mercantile-Commerce National Bank and the South Side National Bank, respectively. The Assistant Secretary stated that Mr. James, who is confined to his home by illness, has in mind a plan for the disposition of this question as regards the Mercantile-Commerce Bank and Trust Company, which he would like to discuss with the Board upon his

6/16/31

-5-

return to the office.

Accordingly, action on the matter was deferred.

Telegram dated June 12th from the Secretary of the Federal Reserve Bank of Atlanta, 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.

Letter dated June 12th from the Assistant Federal Reserve Agent at New York, advising that the Merchants and Newark Trust Company, Newark, New Jersey, has purchased from the receiver the assets, aggregating \$621,813.14, of the Port Newark National Bank of Newark, which was closed by the Comptroller of the Currency in August 1930; the letter stating that the New York bank is of the opinion that the purchase is not in conflict with the conditions of membership under which the Merchants and Newark Trust Company was admitted to membership in the Federal Reserve System.

Upon motion, it was voted to interpose no objection to the action of the member bank.

Letter dated June 13th from the Vice President of the First Federal Foreign Banking Corporation, New York City, New York, advising that at the meeting of the directors on June 9th a special committee was appointed to consider and propose, at the next meeting of the directors to be held in two weeks, a plan for the restitution of the capital of the corporation.

Noted.

Memorandum from Counsel dated June 13th with regard to the matter referred to the Governor with power on May 28th, namely, the disposition by the Atlantic National Bank of Boston of the stock owned by it in the

6/16/31

-6-

Atlantic Corporation; Counsel's memorandum reporting a telephone conversation with the counsel of the national bank in which the latter advised that a plan for the disposition of the stock, amended to meet the Board's requirements, will be submitted within the next week.

Noted.

Mr. Hamlin stated that after further consideration he had decided to reply personally to the letter addressed to him under date of June 10th by Senator Glass. He, therefore, withdrew the letter which on June 12th he had submitted for consideration by the Board.

REPORTS OF STANDING COMMITTEES:

- Dated, June 12th 15th Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, June 13th Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.
- Dated, May 23rd Recommending approval of the application of Mr. John V. Hinchliffe, for permission to serve at the same time as director of the National Bank of America in Paterson, Paterson, New Jersey, and as director of the Citizens Trust Company of Paterson, New Jersey.  
Approved.
- Dated, June 12th Recommending approval of the application of Mr. Frank H. Negley, for permission to serve at the same time as director of the Citizens National Bank of South Bend, Indiana, and as director of the Citizens Trust and Savings Bank of South Bend, Indiana.  
Approved.
- Dated, June 16th Recommending approval of the application of Mr. H. H. Galloway, for permission to serve at the same time as director and officer of the Public National Bank and Trust Company of Houston, Texas, and as director of the First National Bank of Harlingen, Texas.  
Approved.
- Dated, June 16th Recommending approval of the application of Mr. John C. Dewey, Jr., for permission to serve at the same time as director of the Housatonic National Bank of Stockbridge, Mass., and as director of the Pittsfield-Third National Bank and Trust Company of Pittsfield, Mass.  
Approved.

6/16/31

The meeting adjourned at 1:00 p. m.

*E. W. Willard*

Assistant Secretary.

Approved:

*E. W. Willard*  
Governor.

AUXILIARY MINUTES  
(June 16, 1931)

492

Reports of Standing Committee dated June 12 and 15, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Applications for SURRENDER of Stock:</u>	<u>Shares:</u>	
<u>District No. 4.</u>		
First National Bank, Pittsburg, Ohio. (Vol. Liq. Abs. by First Farmers National Bank, Arcanum, Ohio.)	23	
First National Bank, Fairchance, Pa. (Insolvent)	45	68
<u>District No. 7.</u>		
Albany Park National Bank & Trust Company, Chicago, Ill. (Insolvent)	216	216
<u>District No. 9.</u>		
Lamb's National Bank, Michigan City, No. Dak. (Vol. Liq. Suc. by Lamb's Bank, Michigan City)	18	
Citizens National Bank, Northwood, N. D. (Vol. Liq. Suc. by Northwood State Bank.)	27	45
<u>District No. 11.</u>		
First National Bank, Bennington, Okla. (Vol. Liq. Terminal)	18	
City National Bank, Temple, Texas. (Vol. Liq. Abs. by Farmers State Bank)	144	162
<u>District No. 12.</u>		
National Bank of Lynwood, Calif. (Insolvent)	36	36
	Total	527

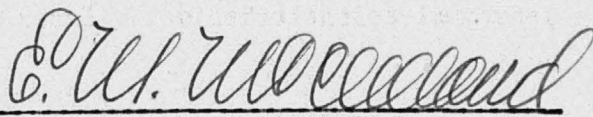
Report of Standing Committee dated June 13, recommending action on an application for fiduciary powers by the following bank:

APPROVED:

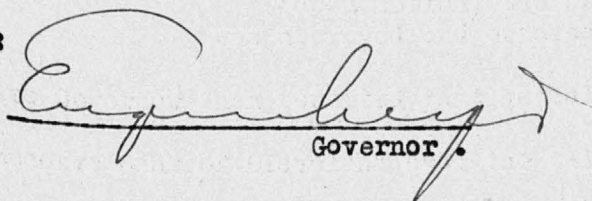
DISTRICT NO. 2.

NEW YORK:

Merchants National Bank in Plattsburg, New York. (3354. Approved subject to condition that the bank agree to increase its capital to such an amount within one year that the aggregate of its capital, surplus and undivided profits, shall be at least 10% of its then deposits.)

  
Assistant Secretary.

Approved:

  
Governor.