

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, June 18, 1931, at 11:00 a. m.

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

ALSO PRESENT: Mr. R. L. Austin, Chairman and Federal Reserve Agent of the Federal Reserve Bank of Philadelphia.

The Governor referred to the action of the Board on February 27, 1931, with reference to the continuance of the membership in the Federal Reserve System of the Bank of Auburn, Pennsylvania, and stated that Mr. Austin is present to discuss the matter with the Board.

Mr. Austin then presented to the Board a letter signed by him under date of June 17th submitting an analysis of a report of examination of the Bank of Auburn, made as of April 25, 1931, which discloses a depreciation in the investment account of the bank of \$233,937.10, resulting in an impairment of the capital to the extent of \$44,556.60, after allowing for guaranties aggregating \$125,000 which have been executed by certain of the directors of the bank; the letter stating that since the examination, certain stocks and bonds have been sold at a price sufficient to reduce the impairment by \$16,387.50, and that on the basis of a classification of the investments by the State Banking Department under which a portion of the depreciation, set up by the examiner, \$70,371.71, is regarded as doubtful only, and the remainder, \$163,565.39, as a loss, after giving effect to the directors' guaranties, the capital account of the bank and surplus to the extent of approximately \$25,000, are restored. Mr. Austin stated that since the examination, a further \$20,000 has been contributed by the directors. He also stated that the classification of the investments made by the State Banking Department, was considered at the meeting of his directors on June 17th and approved, and that he now recommends

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that the Federal Reserve Board, in view of the circumstances outlined, take no action at this time looking toward the discontinuance of the membership of the bank.

After some discussion, Mr. Austin's recommendation was approved.

Mr. Austin then stated that he had been requested by his directors to take up with the Board personally, the matter of handling depreciation in the investment account of member banks and to suggest the advisability of securing uniformity in the policy followed by the Comptroller of the Currency and the banking authorities of the various states. A discussion ensued with regard to the present policy of the Comptroller's office in dealing with depreciation in the investment accounts of national banks and the policy followed by some state banking departments, during which Mr. Pole was called into the meeting. He stated to the Board that he would be glad to have the Chief National Bank Examiners take part in a consideration of this subject.

At the conclusion of the discussion, Mr. Austin was advised that the Board would interpose no objection to his bank taking steps to secure the cooperation of the State Banking Departments in his district on the matter.

There was then discussed with Mr. Austin the matter reported in his letter of June 10, 1931, namely, the action on June 15, 1931 of the Camden Safe Deposit and Trust Company, Camden, N. J., a member bank, in assuming certain liabilities and acquiring for liquidation all of the assets of the Broadway-Merchants Trust Company of Camden, approval of which is recommended by the Federal Reserve Agent.

After discussion, draft of reply to Mr. Austin's letter, approved by the Executive Committee, advising that the Board will interpose no objection to the action of the member bank, was approved and ordered transmitted.

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The Assistant Secretary then presented letter dated June 15th from the Federal Reserve Agent at Philadelphia, outlining the circumstances under which the Federal Reserve Bank of Philadelphia delivered on two forged orders, \$170,000 of securities held for safekeeping for the First National Bank of Conshohocken, Pennsylvania, the Federal Reserve Agent raising the question whether a similar experience has been had by any other Federal Reserve bank.

After some discussion as to the legal position of the Federal Reserve Bank of Philadelphia in the matter, the letter was referred to Counsel for report to the Board.

The Assistant Secretary then presented letters dated June 17th from the Federal Reserve Agent at Philadelphia, requesting approval of the designation of Mr. Joseph R. Campbell, who is being employed in the examination department of the bank, as an assistant to examiners, and of the following employees of the Transit Department as special assistants to examiners:

Harold C. MacDonald  
William J. Madara  
Gilbert S. Bayne  
John C. Poulton  
William Hirst

Approved.

Mr. Austin then left the meeting.

Mr. Pole then stated that the suggestion has come to him that, because of the unsettled banking conditions which exist in certain parts of the country, he postpone for from 30 to 60 days the usual call for reports of condition of national banks which for the past several years has been made as of the last business day of June. He stated that he is of the opinion that a postponement would probably result in more harm than good, and that he would like to have an expression from the members of the Board. During the discussion which followed, the opinion was expressed that it would be unwise to postpone the

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call. This opinion was concurred in by all members present.

At the conclusion of the discussion Mr. Pole was authorized to advise those making the suggestion to him that he has discussed the matter with the Board which is of the opinion that the call should not be postponed.

Mr. Pole then left the meeting.

The Assistant Secretary presented the following matters of business which were considered and acted upon by the Board:

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Richmond, Kansas City and San Francisco of employees for whom the directors approved 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; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of Executive Committee on letter dated June 10th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Washington National Bank of Commerce, Seattle, Washington, for a reduction in its required reserves from 10% to 7% of demand deposits; the Board's Committee also recommending approval.

Unanimously approved.

Application for full trust powers by the New Harmony National Bank, New Harmony, Indiana, which on April 18, 1931, succeeded the First National Bank and the New Harmony Bank, both of New Harmony, Indiana, the Federal Reserve Agent at St. Louis recommending that the application be approved. In this connection, consideration was also given to a letter dated June 15 from the Comptroller of the Currency, recommending that inasmuch as no examination of the applicant bank has been made since its organization, it be granted

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only the authority necessary to continue the administration of the trusts which were being handled by the New Harmony Bank at the time it was taken over by the New Harmony National Bank.

Upon recommendation of the Law Committee, it was voted to approve the Comptroller's recommendation, and to defer action on the application for full trust powers until a report of examination of the bank is available.

Report of Executive Committee on letter dated June 11th from the Assistant Federal Reserve Agent at Minneapolis, recommending that the Board interpose no objection to the proposed action of the Reclamation State Bank of Newell, South Dakota, in taking over the assets and assuming the liabilities of the Irrigators State Bank of Nisland, South Dakota; the reason for the absorption being that the volume of business at Nisland is not considered sufficient to warrant the continuation of a separate institution there.

Upon recommendation of the Board's Committee, it was voted to interpose no objection to the contemplated action of the member bank.

Memorandum from Counsel dated June 13th on letter dated June 10th from the Federal Reserve Agent at Chicago submitting letter dated June 9th from the Vice President of The Millikin National Bank, Decatur, Illinois, expressing the desire to surrender its right to exercise trust powers; Counsel submitting draft of letter to the Comptroller of the Currency, requesting that in accordance with the procedure outlined in the Board's Regulation "F", a special investigation be made on the occasion of the next examination of the national bank to determine whether all trusts acquired by the bank have been properly disposed of.

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

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Memorandum from Counsel dated June 10th on letter dated May 25th from the Federal Reserve Agent at Cleveland, inquiring whether the Peoples-Pittsburgh Trust Company of Pittsburgh, Pennsylvania, which on December 31, 1930 consolidated with two nonmember banks under a state statute which provides that such consolidation shall result in the formation of a new corporation, should make a new application for membership in the Federal Reserve System; Counsel submitting draft of reply to the Federal Reserve Agent's letter advising that the Peoples-Pittsburgh Trust Company should make a formal application.

Upon motion, the letter submitted by Counsel was approved and ordered transmitted.

Memorandum from Counsel dated June 11th submitting a letter dated June 10th from Mr. Georges St. Jean, President of the Federal International Banking Corporation in reply to the Board's letter of June 9th with regard to the statement contained in a circular letter sent out by Schenkers, Inc., New York City, under date of May 20, 1931, the reply stating that the circular letter in its final form was not submitted to Mr. St. Jean or to the Corporation and calling attention to the fact that nothing in the circular letter refers to the Federal International Banking Corporation. With his memorandum, Counsel submitted draft of letter to Mr. St. Jean stating that his reply is not satisfactory and requesting that he advise the Board whether he suggested, authorized or approved the use of the objectionable statement contained in the circular letter, or any other statements conveying the same or a similar meaning; also draft of letter to Roosevelt and O'Connor, Counsel for the organizers of the Corporation, enclosing, in response to their letter of June 10th, a copy of the letter from Mr. St. Jean.

In this connection, consideration was also given to memorandum from

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Counsel dated June 13th, submitting letter dated June 12th from Schenkers, Inc., replying to the Board's letter of June 10th, expressing regret that any statement in their circular could have been misconstrued and assuring that the Board's wishes will be carefully followed in the future; Counsel stating that in his opinion this would seem to be all that could be expected from this company.

After some discussion, as to the advisability of dispatching the letters submitted with the memorandum of June 11th, the matter was referred to the Governor for discussion with Counsel and report to the Board.

Memorandum from Counsel dated June 12th on letter dated June 3rd from the Federal Reserve Agent at Cleveland, transmitting a form of time certificate of deposit suggested for adoption by the Clearing House Association of Canton, Ohio, and a substitute form suggested by the Counsel for the Cleveland Bank, and requesting the opinion of the Board as to whether either of the certificates may properly be classified as a time certificate of deposit under the Board's Regulation "D". With his memorandum, Counsel submitted draft of reply to the Federal Reserve Agent's letter, advising that for reasons stated, neither of the forms submitted should be classified as a time certificate of deposit under the Board's Regulations.

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

Memorandum from Counsel dated June 9th on letter dated June 1st from the Assistant Federal Reserve Agent at San Francisco inquiring whether service as an officer and/or director of the Bank of America National Trust and Savings Association of San Francisco, California, and the Bank of America of Los Angeles, California, comes within the exception to the Clayton Act which is applicable when the entire capital stock of one bank is owned by the stock-

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holders of the other; Counsel submitting draft of telegraphic reply advising that under the circumstances outlined, such service does not come within the exception to the Clayton Act referred to.

Upon motion, the proposed telegram was approved.

Memorandum from Counsel dated May 28th submitting a letter dated May 25th from the Governor of the Federal Reserve Bank of Atlanta stating that the question whether warehouse receipts issued by a corporation apparently owned and controlled by Anderson, Clayton and Company of Mobile, Alabama, in accordance with a plan described in a letter received from the Deputy Governor of the bank under date of May 1st would be proper receipts to be used as a basis for bankers' acceptances, has been solved, and that, accordingly, no further consideration by the Board will be asked. In his memorandum, Counsel stated that there seems to be doubt on the question whether the plan which has been submitted to the Federal Reserve Bank is a proper compliance with the regulations and former rulings of the Federal Reserve Board and he suggested that the Federal Reserve Bank be asked to submit a complete statement of the facts in order that the Board may have an opportunity to decide for itself whether acceptances secured by such warehouse receipts are properly eligible for rediscount.

Upon recommendation of the Law Committee, draft of letter submitted by Counsel in accordance with his suggestion, was approved and ordered transmitted.

Mr. Wyatt, General Counsel, was then called into the meeting.

Reference was made to the matter on which action was deferred at the meeting on June 16th, namely, memorandum from Counsel dated June 12th submitting 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



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Mercantile-Commerce National Bank and the South Side National Bank, respectively.

At the conclusion of the discussion which followed, it was voted to instruct Counsel to redraft the letters submitted with his memorandum, in accordance with the suggestions made during the discussion.

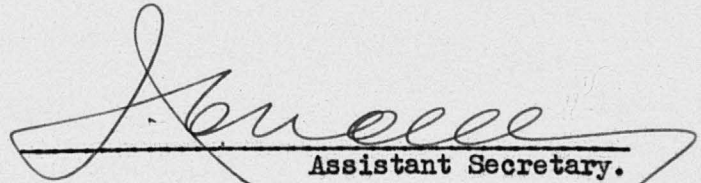
Mr. Hamlin then referred to the action of the Board at the meeting on June 10th in voting to request the Committee on District No. 8 to prepare a complete report and recommendation to the Board with regard to the loan made by the National Bank of Kentucky of Louisville, Kentucky, to the Managing Director of the Louisville Branch, and stated that it is not clear to the Committee as to how extensive the report requested by the Board should be.

After some discussion, the Committee was advised that the Board desires it to submit a report based on the information now in the Board's files and in the files of the Comptroller of the Currency, the question of whether a broader investigation into the matter should be made to be determined following the submission of the Committee's report.

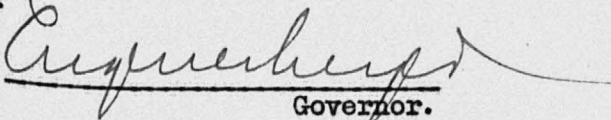
REPORTS OF STANDING COMMITTEES:

Dated, June 17th Recommending changes in stock at Federal Reserve Banks,  
18th as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.

The meeting adjourned at 12:45 p. m.

  
Assistant Secretary.

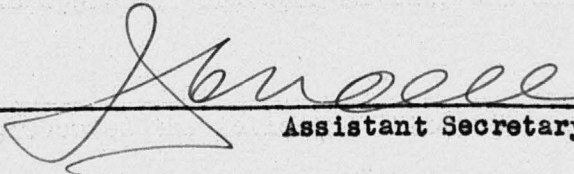
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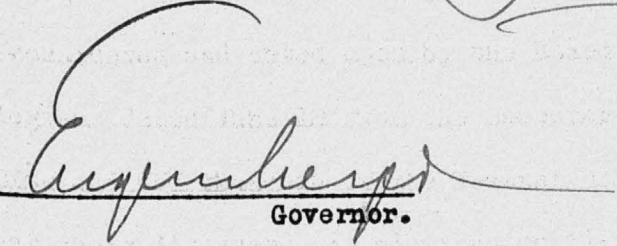
  
Governor.

AUXILIARY MINUTES  
(June 18, 1931)

Reports of Standing Committee dated June 17 and 18, 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>		
Fayette National Bank, Lexington, Ky. (Vol. Liq. Abs. by First National Bank & Trust Company)	360	
First National Bank, Masontown, Pa. (Insolvent)	<u>180</u>	540
<u>District No. 8.</u>		
First National Bank, Waldron, Ark.	27	27
<u>District No. 10.</u>		
First National Bank, Holton, Kans. (Insolvent)	<u>45</u>	<u>45</u>
	Total	612

  
Assistant Secretary.

Approved:   
Governor.