

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, June 23, 1931, at 11:45 a. m.

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

The minutes of the meeting of the Federal Reserve Board held on June 16th were approved.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on June 17th were also approved, and, upon motion, the actions recorded therein were ratified.

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

Memorandum dated June 20th from the Director of the Division of Research and Statistics, recommending that the probationary appointment of Mr. George Terborgh, a research assistant in the division, be made permanent.

Recommendation approved.

Letters dated June 20th and 22nd from Deputy Governor Crane of the Federal Reserve Bank of New York, advising that the Federal Reserve Bank, is making advances totaling \$16,700,000 to the German Reichsbank, against two shipments of gold valued at approximately \$26,000,000, which are scheduled to arrive in New York on June 26th and 29th.

Noted.

Letter dated June 16th from the Federal Reserve Agent at Dallas, reporting continuous deficiencies in the required reserves of the First National Bank, Jayton, Texas, from December 1, 1930, to May 31, 1931, but recommending, for reasons outlined in the letter, that the Board take no action on the matter.

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Upon recommendation of the Committee on District No. 11, draft of letter to the Federal Reserve Agent at Dallas advising that the Board will take no action at this time other than to refer a copy of his letter to the Comptroller of the Currency for the information of that office, and draft of letter to the Comptroller of the Currency in accordance therewith, were approved and ordered transmitted.

Letter dated June 9th from the Governor of the Federal Reserve Bank of New York, submitting in accordance with the request contained in the Board's letter of June 5th, detailed information with regard to extended leaves of absence with pay on account of illness, granted by the directors to certain employees of the bank during the month of May and reported in Deputy Governor Gilbert's letter of June 1st; the reply also outlining the policy followed by the bank in granting leaves of absence with pay because of illness. During the discussion of this matter Governor Meyer stated that it is his intention to discuss with the Governor of the New York Bank the organization of, and the service rendered by, the medical department of the bank.

At the conclusion of the discussion, upon motion, it was voted to approve the salary payments involved in the leaves of absence granted to the employees listed in Mr. Gilbert's letter of June 1st.

Report of Committee on Salaries and Expenditures dated June 22nd submitting resolutions adopted by the boards of directors of all Federal Reserve banks providing for the payment of dividends at the rate of 6 per cent per annum for the first six months of the current year; the memorandum reporting:

"That estimated current expenses for the six months are \$2,246,000 in excess of gross earnings, whereas in the corresponding period of 1930 gross earnings were \$6,569,000 in excess of current expenses. The Federal Reserve Bank of Dallas is the only bank that will have net earnings sufficient to cover current expenses and dividend requirements. Of the other Federal reserve banks, Boston, Cleveland, Richmond, Atlanta, St. Louis, Kansas City and San Francisco will have a deficiency in earnings before the payment of dividends and the Federal reserve banks of New York, Philadelphia, Chicago and Minneapolis will have to pay the greater part of their dividends out

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"of surplus.

"It has been the practice of the Board when earnings have been insufficient to cover accrued dividends to authorize the Federal reserve banks to pay dividends out of surplus. In the opinion of your Committee, each Federal reserve bank now has a sufficient surplus to justify the payment of the usual semi-annual dividend and it therefore recommends that the Board follow the policy heretofore adopted and authorize each Federal reserve bank to pay a semi-annual dividend at the rate of 6 per cent per annum as of June 30, 1931."

Upon motion, it was voted to approve the payment of the regular semi-annual dividend by the various Federal Reserve banks as of June 30, 1931.

Memorandum dated June 19th from the Fiscal Agent recommending that an assessment of eighty-one thousandths of one per cent (.00081) of the total paid-in capital and surplus of the Federal Reserve banks as at the close of business on June 30, 1931, be levied by the Board to cover its expenses during the six months beginning July 1, 1931.

Upon motion, the following resolution was adopted:

"WHEREAS, under Section 10 of the Act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal reserve banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees for the half-year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half-year; and

"WHEREAS, it appears from estimates submitted and considered that it is necessary that a fund equal to eighty-one thousandths of one per cent (.00081) of the total paid-in capital stock and surplus of the Federal reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes; Now, therefore,

"BE IT RESOLVED, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal reserve banks of an amount equal to eighty-one thousandths of one per cent (.00081) of the total paid-in capital and surplus of such banks as of June 30, 1931, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessments will be collected in two installments of one-half each; the first installment to be paid on July 1, 1931, and the second half on September 1, 1931."

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Memorandum dated June 12th from the Assistant Secretary submitting memoranda from the Board's Examiner in Charge, with regard to the unsatisfactory condition of the Presque Isle County Savings Bank, Rogers City, Michigan; the Assistant Secretary calling attention to the Examiner's statement that it is believed that any action at this time to discontinue its membership in the System would result in the inability of the bank to effect a proposed increase in its capital and inasmuch as the bank will again be examined in about three months, he would suggest that the Board defer action with the understanding that the coming examination will be made immediately after the proposed capital increase has been effected and at that time a firm recommendation as to the continuance of the bank's membership will be made by the Executive Committee of the Reserve bank.

Upon motion, the suggestion of the Board's Examiner in Charge was approved and the Assistant Secretary was instructed to advise the Federal Reserve Agent at Chicago accordingly.

Letter dated June 15th from the President of the First National Bank of Gardner, Massachusetts, suggesting the advisability of requesting the Treasury Department to reconsider and amend its decision which permits a non-member bank to advertise itself as being a United States depository where such bank acts as a depository only by the purchase of securities through a war loan deposit account; the letter stating that the First National Bank is in direct competition with such a nonmember bank and it is felt that the decision of the Treasury Department in permitting the other bank to so advertise, is extremely unfair to the national bank.

After discussion, upon motion, it was voted to refer the letter to Counsel for a report to the Board, setting forth particularly the arguments which could be advanced for a reconsideration of the Treasury's ruling.

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REPORTS OF STANDING COMMITTEES:

Dated, June 19th	Recommending changes in stock at Federal Reserve Banks,
22nd	as set forth in the Auxiliary Minute Book of this date.
23rd	Recommendations approved.

The meeting adjourned at 12:35 p. m.

E. W. McClelland

 Assistant Secretary.

Approved: *[Signature]*

 Governor.

AUXILIARY MINUTES
(June 23, 1931)

Reports of Standing Committee dated June 19th, 22nd, and 23rd, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Application for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 6.</u> Jackson-State National Bank, Jackson, Miss.	90	90
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u> Old National-City Bank, Lima, Ohio. (Insolvent)	216	216
<u>District No. 5.</u> Peoples National Bank, Gate City, Va. (V.L.Suc. by First National Bank in Gate City)	27	27
<u>District No. 6.</u> First National Bank, Hartselle, Ala. (Insolvent)	72	72
<u>District No. 9.</u> American National Bank, Redfield, South Dakota. (Insolvent)	48	48
<u>District No. 11.</u> City National Bank, Grand Prairie, Texas. (Succeeded by Grand Prairie State Bank)	37	37
	Total	400

E. W. McClelland
Assistant Secretary.

Approved:

[Signature]
Governor.