A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, June 26, 1931, at 10:30 a.m.

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

PRESENT ALSO: Mr. Wyatt, General Counsel.

Mr. John G. Lonsdale, President of the Mercantile-Commerce Bank and Trust Company of St. Louis and Mr. Samuel A. Mitchell, Attorney, were present in response to the request contained in the Board's letter of June 19th and discussed the matter of ownership by the Mercantile-Commerce Bank and Trust Company of the capital stock, except directors qualifying shares, of the Mercantile Commerce National Bank of St. Louis.

At the request of the Governor, Mr. Wyatt reviewed the action of the Board on May 16, 1929, in offering no objection to the ownership by the Mercantile-Commerce Bank and Trust Company of the capital stock of the then National Bank of Commerce until the trust business of the latter could be turned over to the state institution or terminated and the fact that on August 1, 1930, the title of the national bank was changed to the Mercantile-Commerce National Bank, its location moved to Grand and Delmar Avenues in St. Louis and a regular commercial business resumed, without action by the Board permitting the state member bank to continue to hold the stock of the national bank under the changed conditions.

Mr. Lonsdale referred to the negotiations leading up to the formation of the Mercantile-Commerce Bank and Trust Company and the continuance of the charter of the National Bank of Commerce. He stated that it became apparent in the summer of 1930 that the trust business of the national bank could not
be wound up for an indefinite period and since the trust company was permitted under state law to own the stock of not more than one state or national bank, it was decided to take advantage of the opportunity which existed for the conduct of a national bank in the neighborhood of Grand and Delmar Avenues by the removal of the National Bank of Commerce to that location and the resumption of commercial business.

He stated that the matter was discussed by him in detail with the Comptroller of the Currency and Mr. R. A. Young the then Governor of the Federal Reserve Board and that a letter of instruction as to the method of procedure in changing the title of the national bank was received from the Comptroller of the Currency which, it was understood, was all that was necessary. He said that it was regretted the matter had not been taken up formally with the Federal Reserve Board, other than in a letter addressed to the Board by the Federal Reserve Agent at St. Louis under date of July 14, 1930, on which no action was taken by the Board, but that it had not been assumed that any reply to that letter was necessary.

He presented a formal letter to the Board dated June 23rd, covering the points mentioned in his discussion.

Messrs. Lonsdale and Mitchell then left the meeting, with the request that they review the matter further with the Board's Counsel, who would submit a report to the Board for action.

At this point Mr. Miller entered the room and the meeting continued as a meeting of the Federal Reserve Board.

The Assistant Secretary presented the following matters which were acted upon by the Board as set out below:
Telegrams dated June 25th from the Governor of the Federal Reserve Bank of New York, reading as follows:

"We are issuing the following statement to the press this afternoon in connection with the credit to the Reichsbank. Quote The Federal Reserve Bank of New York, in association with other Federal Reserve Banks and with the approval of the Federal Reserve Board, has agreed, if desired, to purchase from the Reichsbank up to a total of about the equivalent of $25,000,000 of prime commercial bills. The agreement of the Federal Reserve Bank of New York was made in cooperation with the Bank of England, The Bank of France, and the Bank for International Settlements, as a part of a credit arrangement with the Reichsbank aggregating in all approximately the equivalent of $100,000,000. End quote."

"We have just received by telephone subject to confirmation the following information from the Bank for International Settlements regarding the credit to the Reichsbank.

(A) Participations of Bank of England, Bank of France, Bank for International Settlements and Federal Reserve Banks equivalent of 100,000,000 Reichsmarks each.

(B) Credit arrangement to become effective June 26, 1931.

(C) Engagement commission 1/2 per mill flat.

(D) Rate of interest on bills purchased under the credit to be discount rate of the Reichsbank which is now 7 per cent.

(E) Bills purchased to bear at least one banking endorsement as well as the guarantee of the Reichsbank.

(F) Bills purchased to be left in the custody of the Reichsbank but properly segregated and earmarked for the account of the purchasing bank."

The above telegrams, having been previously brought to the individual attention of the members of the Board, were noted.

Letter dated June 25th from the Secretary of the Federal Reserve Bank of New York, advising that the Board of Directors, at their meeting on that date, made no change in the bank's existing schedule of rates of discount and purchase; noting, however, that no action has been taken by the Federal Reserve Board on the request of the directors that the Board reduce to 3/4% the rate established by it as the minimum buying rate for purchases of bankers' acceptances by the New York bank.

Without objection, noted with approval.
The Assistant Secretary was instructed to advise that action has been deferred by the Board on the request for a reduction in the bank's minimum authorized buying rate on acceptances.

Letter dated June 25th from the Deputy Governor of the Federal Reserve Bank of New York with regard to purchases of government securities for System account aggregating $40,000,000 made during the week by the Executive Committee of the Open Market Policy Conference; the letter also reviewing conditions in the bill and Government securities markets during the week.

Ordered circulated.

Memorandum from the Assistant Secretary dated June 25th submitting draft of letter to the Under Secretary of the Treasury with reference to a request of the Federal Reserve Bank of Atlanta, that the Treasurer of the United States permit the shipment of approximately $500,000 of Stone Mountain Memorial half-dollars to the Philadelphia Mint at the expense of the Atlanta Bank with the understanding, however, that the coins will be held for a period of possibly a year before remelting in order to give the Stone Mountain Confederate Monumental Association time to formulate plans for the possible use of the coins.

Upon motion, the proposed letter to the Under Secretary of the Treasury was approved.

At this point Governor Harrison of the Federal Reserve Bank of New York joined the meeting and discussed with the Board conditions in central Europe with particular reference to participation by the Federal Reserve Bank of New York in a proposed further credit to the National Bank of Hungary. He reviewed economic and political conditions in Hungary, pointing out that during the first four months of this year, for the first time since its return to a gold basis, the country has shown an unfavorable balance of trade.
and is unable to balance its budget. He referred to the New York bank's participation, through the purchase of prime commercial bills up to the equivalent of $2,000,000, in a credit in the amount of $10,000,000 recently extended to the National Bank of Hungary. He stated that that credit was for a period of 90 days and that participations were also taken by the Bank for International Settlements, the Bank of England, the Bank of France and, he believed, the Reichsbank. He pointed out that because of continued withdrawals of balances from Hungary, with a reduction in the reserves of the National Bank, and payments due on July 1st, for which the National Bank of Hungary will be required to furnish exchange, a further credit is necessary.

He stated that in communication with the Bank for International Settlements the suggestion was first made that the Federal Reserve Bank of New York alone extend the needed credit, to which he had replied that under no circumstances would he recommend to his directors or the Federal Reserve Board that the Federal Reserve Bank of New York take over any credit alone and further that he did not think that the New York bank should participate in any credit for an amount in excess of other principal European banks. It was then suggested, he stated, that the Federal Reserve Bank of New York grant the proposed credit with the Bank of France, each in equal amount, which he replied, he would not recommend, feeling that the Bank of England and the Bank for International Settlements should be included. He stated that upon being further advised regarding the acute situation in Hungary, he had taken the matter up with his Board of Directors which voted to authorize the officers of the New York bank, if and when deemed advisable or necessary and subject to the approval of the Federal Reserve Board, to arrange for a credit to the National Bank of Hungary, through the purchase of prime commercial bills en-
dorsed or guaranteed by the National Bank of Hungary up to a maximum of $5,000,000, provided, however, that other foreign central banks participate in the credit and that the participation of the Federal Reserve Bank of New York is not in excess of that of some of the other participating banks.

Governor Harrison stated that his negotiations have been carried on with the idea of a participation of not to exceed $3,000,000 by the Federal Reserve Bank of New York, along with the Bank of England, the Bank for International Settlements and possibly the Bank of France; the credit to run for a period of 90 days and to be liquidated by gold shipments at the end of 90 days, if necessary.

After some further discussion Governor Harrison left the meeting and upon motion, the Governor was authorized, subject to the details of the transaction being arranged in conformity with the discussion with Governor Harrison this morning and with the understanding that the amount of the participation of the Federal Reserve Bank of New York will not exceed $3,000,000 instead of the maximum of $5,000,000 mentioned in the resolution of the Board of Directors of the Federal Reserve Bank of New York, to approve on behalf of the Board the action of the Board of Directors of the Federal Reserve Bank of New York in authorizing the officers of the Bank, if and when deemed advisable or necessary, to arrange for a credit to the National Bank of Hungary, through the purchase of prime commercial bills endorsed or guaranteed by the National Bank of Hungary up to a maximum of $5,000,000, provided, however, that other foreign central banks participate in the credit and that the participation of the Federal Reserve Bank of New York is not in excess of that of some of the other participating banks.

Mr. Miller stated that his position on the advisability of entering into the proposed credit arrangement is the same as when the matter of a credit to the National Bank of Hungary first came before the Board on June
16th, at which time he voted in the negative.

The meeting adjourned at 12:05 p. m.

E. W. [Signature]
Assistant Secretary.

Approved:

[Signature]
Governor.