

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, July 15, 1931, at 10:00 a. m.

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

ALSO PRESENT: Mr. Wyatt, General Counsel

The Governor suggested that the Board take up and dispose of its regular business before discussing with Mr. Wood, Federal Reserve Agent and Chairman of the Board of Directors of the Federal Reserve Bank of St. Louis, the matters which it is desired to take up with him.

The minutes of the meeting of the Federal Reserve Board held on July 9th were then approved as amended.

The Assistant Secretary presented the following matters which were considered by the Board and acted upon as set out below.

Bond in the amount of \$100,000 executed under date of July 7th by Mr. Oliver S. Powell, representing the Federal Reserve Agent at Minneapolis in the performance of certain duties heretofore specified by the Board.

Approved.

Report of Executive Committee on letter dated July 9th from the Federal Reserve Agent at Philadelphia advising that the Lycoming Trust Company, Williamsport, Penna., has been unable to dispose of one parcel of the real estate which under its conditions of membership in the Federal Reserve System, and extensions of time subsequently granted by the Board, was to have been eliminated from the assets of the bank by July 1, 1931; the Agent advising that the management of the Trust Company rather than to continue to request extensions if a further period of more than a year should be required for the

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sale of the property, prefers to have the applicable condition of membership modified so as to require the disposal of the property as soon as such a result may be obtained without undue sacrifice to the Trust Company. In his letter the Federal Reserve Agent recommended that if the Board should not feel disposed to approve the modification of the condition requested, a further extension of one year be granted for the elimination of the property.

Upon recommendation of the Executive Committee, it was voted to extend for one year from July 1, 1931, the time in which the Lycoming Trust Company may liquidate the real estate referred to.

Report of Executive Committee on letter dated July 10th from the Assistant Federal Reserve Agent at New York, resubmitting at the request of the Trust Company of Wyoming County, Warsaw, N. Y., that bank's application, which was disapproved by the Board on May 22, 1931, for waiver of the usual six months' notice and permission to immediately terminate its membership in the Federal Reserve System, under a notice of intention to withdraw filed on May 12, 1931; the Executive Committee concurring in a recommendation of the Board of Directors of the Federal Reserve Bank of New York that the new application also be denied.

Upon motion, it was voted to decline the application.

Memorandum from Counsel dated July 8th with reference to an application of the National City Bank of New York, made in a letter from the Cashier of the institution under date of July 1st, that the branches of the bank located at Arecibo, Bayamon, Caguas, Mayaguez, Ponce, San Juan, and Santurce, Porto Rico, be authorized to exercise fiduciary powers; Counsel submitting draft of a reply advising that the Federal Reserve Board consents to the exercise of any of the fiduciary capacities in which the National City Bank of New York is

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authorized to act under permits previously granted by the Board by each of the bank's Porto Rican branches above named, provided that the exercise of such powers is not in contravention of the local law and provided, further, that trust business carried on at any such branch or branches shall be so conducted as to comply in all respects with the applicable provisions of the local law and also the applicable provisions of the Federal Reserve Act and the Board's regulations. In the proposed reply it was pointed out that the authority of a foreign branch of the bank to act in fiduciary capacities cannot be broader than the general authority possessed by the corporation as a whole, and the fiduciary authority which may be exercised by the Porto Rican branches does not include any fiduciary capacity not authorized by the permits heretofore granted by the Federal Reserve Board to the National City Bank of New York.

During the discussion, in response to an inquiry, the Comptroller of the Currency stated that the branches of the National City Bank in Porto Rico are examined by his office and that the trust departments to be established will be covered in all future examinations.

Upon motion, the exercise of trust powers by the Porto Rican branches of the National City Bank of New York was approved in accordance with the letter to the bank prepared by the Board's Counsel.

Memoranda from Assistant Counsel and General Counsel dated July 2nd and 3rd, respectively, with regard to a recommendation of the Executive Committee of the Federal Reserve Bank of Cleveland that the Federal Reserve Board institute proceedings looking toward the forfeiture of membership in the Federal Reserve System by The State Bank of Bowling Green, Ohio; Assistant Counsel submitting with his memorandum of July 2nd drafts of letters to The State Bank of Bowling Green, Ohio, and the Federal Reserve Agent at Cleveland, advising that

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inasmuch as it appears that the member bank has violated the provisions of section 9 of the Federal Reserve Act in that it has failed to maintain the reserves required by law, a hearing will be held in the Board's offices at which duly appointed representatives of the bank are requested to appear to show cause why it should not be required to surrender its stock in the Federal Reserve Bank of Cleveland and forfeit all rights and privileges of membership in the Federal Reserve System, and, further, that in the event the member bank should desire to waive its right to appear before the Federal Reserve Board it may, through its duly appointed representatives, appear before the Federal Reserve Agent at Cleveland to present such evidence as it may care to have transmitted to the Federal Reserve Board. In his memorandum of July 3rd, General Counsel recommended that the proceedings be based not only on the failure of the bank to maintain the required reserves, which has not been chronic, but also upon the bank's bad financial condition which is a violation of the general condition of its membership in the Federal Reserve System, and apparently the real reason for expelling it from membership.

After discussion, upon motion, it was voted to address a letter to the Chairman of the Board of Directors of the Federal Reserve Bank of Cleveland, advising that the Federal Reserve Board appreciates the fact that The State Bank of Bowling Green is in an unsatisfactory condition and is an undesirable member of the Federal Reserve System, but that the Board would like an expression of opinion from the Directors of the Federal Reserve Bank as to whether the present is an appropriate time to take the action recommended, or whether in view of the banking situation which exists it would be better to defer for the time being the institution of proceedings against The State Bank of Bowling Green.

Memorandum from Counsel dated July 11th, submitting a letter dated June 23rd from the Federal Reserve Agent at St. Louis transmitting copies of

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reports rendered by a joint committee of the Legislature of the State of Arkansas, and by the March Jefferson County Kentucky Grand Jury, with reference, respectively, to the failure of the American Exchange Trust Company of Little Rock, Ark., and other banks and insurance companies affiliated therewith, and an investigation of the affairs of the Banco Kentucky of Louisville, Kentucky; Counsel recommending that the reports be acknowledged and circulated for the information of the members of the Board and that a copy of each report be transmitted to the Attorney General for his information.

Upon motion, Counsel's recommendations were approved.

At this point Mr. John S. Wood, Chairman of the Board of Directors and Federal Reserve Agent at the Federal Reserve Bank of St. Louis, entered the room and discussed with the Board, in detail, the question of the conduct of Mr. W. P. Kincheloe, Managing Director of the Louisville Branch of the Federal Reserve Bank of St. Louis, the action with respect thereto taken by the Board of Directors of the Federal Reserve Bank of St. Louis, as reported to the Board by Mr. Wood in his letter of June 4, 1931, the reasons for this action of the Board of Directors and other related questions. A detailed, though not verbatim, report of the discussion will be found in the Board's records. Various written reports and statements were referred to and presented by Mr. Wood during the discussion. He was requested to confer with the Board's Counsel and to leave with him such of the documents as are necessary to complete the records of the Board.

Mr. Wood then left the room, and the Board gave further consideration to the request of Mr. James G. McConkey, General Counsel and Secretary of the Board of Directors of the Federal Reserve Bank of St. Louis, submitted at the meeting yesterday by the Board's General Counsel, that no definite action

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removing Mr. Kincheloe from office, or instituting proceedings for that purpose, be taken without first affording Mr. McConkey the privilege of appearing before the Board and explaining why, in his opinion, it would be detrimental to the interests of the Federal Reserve Bank of St. Louis for such action to be taken at this time.

Mr. Wood was shortly called back into the room and requested to arrange for Mr. McConkey to appear before the Board on next Wednesday, July 22nd, at 10:00 a. m.

The Board then discussed with Mr. Wood the question of ownership by the Mercantile-Commerce Bank and Trust Company and the Lafayette-South Side Bank and Trust Company of the capital stock, except directors' qualifying shares, in the Mercantile-Commerce National Bank and the South Side National Bank, respectively. The position of the Board as set out in the minutes of the meeting on July 8th and communicated to Mr. Wood in a letter of that date, was discussed in detail and he was requested upon his return to St. Louis to take up the matter with the two State member banks with a view to formulating and submitting to the Board programs under which the State member banks can divest themselves of ownership of the stock in question within a reasonable time, but without undue hardship to them or any disturbance to the local banking situation in St. Louis, or in the case of the Mercantile-Commerce Bank and Trust Company by which the stock of the Mercantile-Commerce National Bank will be held only for the purpose for which its ownership was approved by the Board on May 17, 1929, namely, liquidation or transfer of the trust accounts of the national bank.

Reference was then made to Mr. Wood's letter to the Board of July 7th recommending that the Board approve ownership by the Cass Bank and Trust Com-

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pany of St. Louis under its conditions of membership in the Federal Reserve System, of 100 shares of stock of the Natural Bridge Trust Company, carried on its books at \$12,500, which was purchased by the Cass Bank and Trust Company along with other outlying banks in St. Louis when the Natural Bridge Trust Company was organized in May, 1930, to take over certain assets and liabilities of the Natural Bridge Bank and Trust Company which had gotten into difficulties. Reference was also made to Mr. Wood's recommendation contained in his letter of June 22, 1931, that the Lafayette-South Side Bank and Trust Company be permitted to continue to hold 100 shares of stock in the Natural Bridge Trust Company, also acquired at the time of the organization of the bank, which it is intended to dispose of as soon as possible.

It was pointed out that on December 31, 1930, the Board approved of the Tower Grove Bank and Trust Company holding a small block of stock in the Natural Bridge Trust Company until arrangements for its disposal to other interests could be completed, and, upon motion, it was voted to permit the Lafayette-South Side Bank and Trust Company and the Cass Bank and Trust Company to continue to hold the stock in the Natural Bridge Trust Company heretofore acquired by them under the same terms.

Mr. Wood was requested to advise all three of the member banks owning stock in the institution referred to that it must be regarded as a temporary holding and disposed of at the first opportunity, and he was also requested to check this matter with them periodically until the stock is disposed of.

Mr. Wood then discussed with the Board the application of the First National Bank of Jackson, Tenn., for permission to exercise general fiduciary Powers. He stated that while the Executive Committee of the St. Louis Bank has submitted a favorable recommendation to the Board on this application, after further investigation, he is of the opinion that the bank at this time should be granted permission to act as trustee only.

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Upon motion, it was voted to authorize the First National Bank of Jackson, Tenn., to exercise the power of trustee and to defer action on the other powers applied for until after receipt of the report of the next examination of the bank.

The meeting adjourned at 12:55 p. m.

E. W. Will
Assistant Secretary.

Approved:

Lequien
Governor.