

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, July 30, 1931, at 11:30 a. m.

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

The minutes of the meetings of the Federal Reserve Board held on July 21st and 22nd were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on July 21st, 23rd and 24th were approved, and upon motion, the actions recorded therein were ratified.

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

Telegram dated July 29th from the Chairman of the Federal Reserve Bank of Boston, 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.

Telegram dated July 29th from Deputy Governor Crane of the Federal Reserve Bank of New York, advising that no further purchases of sterling were made on that day.

Noted.

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of Chicago of employees for whom the directors approved leaves of absence with pay on account of illness during the period from June 26th to July 23rd, 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.

7/30/31

-2-

Letter dated July 24th from Deputy Governor Crane of the Federal Reserve Bank of New York submitting a tabulation of the short-term indebtedness between New York banks and bankers and their foreign clients as of July 15th, together with comparative figures as of June 30th and May 31st.

Ordered circulated.

Report of Executive Committee on letter dated July 27th from the Federal Reserve Agent at Philadelphia recommending that the Board interpose no objection to retention by the Dime Bank-Lincoln Trust Company of Scranton, Penna., for a reasonable time, of three small blocks of stock in other Scranton banks listed in the letter, which were acquired by the member bank in satisfaction of debts previously contracted; the Board's Committee recommending approval.

Approved.

Report of Executive Committee on memorandum dated July 20th from the Acting Comptroller of the Currency recommending approval of the application of the First National Bank of Ironton, Ohio, for permission to reduce its capital stock from \$600,000 to \$200,000 on condition (1) that prior to the reduction a voluntary and unconditional contribution of \$50,000 in cash be made by directors, stockholders or others, and (2) that assets amounting to \$500,246.75 or substantially that sum be charged off but remain the property of the bank; the Board's Committee recommending approval.

Upon motion, it was voted to approve the application subject to the conditions recommended by the Acting Comptroller of the Currency.

Memorandum prepared in the office of the Board's Counsel under date of July 20th, with regard to States imposing double reserve requirements upon member banks and trust companies; the memorandum advising that all except twelve

7/30/31

-3-

States have laws specifically authorizing member banks and trust companies to comply with the reserve requirements of the Federal Reserve Act instead of the state law requirements; that in all but three of these twelve states it is clear from their laws that no double reserve liability is imposed, but that there is some doubt whether or not members of the Federal Reserve System in Florida, Kansas and North Dakota are actually subject to a double reserve liability.

At the suggestion of Mr. Hamlin, at whose request the memorandum had been circulated among the members of the Board, it was voted to request the Committee on Member Bank Reserves to secure information regarding the actual reserve requirements of member banks located in the three states referred to.

Draft of reply, approved by the Executive Committee, to letter dated July 27th from the Federal Reserve Agent at Richmond, advising of his intention to discontinue the designation of Mr. R. L. Honeycutt, Manager of the Charlotte Clearing House, who has been serving temporarily as Acting Assistant Federal Reserve Agent at the Charlotte Branch, and requesting approval of the designation of Mr. John T. Gregory, an employee of the branch, to succeed Mr. Honeycutt as Acting Assistant Federal Reserve Agent; it being planned to have Mr. Gregory resign his position with the branch and become an employee of the Federal Reserve Agent, although he will continue to do as much work for the branch as he is now doing in addition to his duties as Acting Assistant Federal Reserve Agent. The proposed reply advised that the Board is not disposed to approve the permanent designation of Acting Assistant Federal Reserve Agents at either the Charlotte or Baltimore Branches and would appreciate advice as to why it is not feasible in ordinary circumstances to control the stocks of unissued notes at the two branches through the custody arrangements previously approved by the Board.

Upon motion, the proposed letter was approved and ordered transmitted.

7/30/31

-4-

Memorandum from the Assistant Secretary dated July 29th on letter dated July 28th from Deputy Governor Broadus of the Federal Reserve Bank of Richmond requesting approval of the following changes in the inter-district time schedule:

From Richmond	to Portland	From 5 to 4 days
From Richmond	to Seattle	From 5 to 4 days
From Richmond	to Spokane	From 5 to 4 days
From Baltimore	to Omaha	From 3 to 2 days
From Baltimore	to Boston	From 2 to 1 day

In his memorandum the Assistant Secretary stated that the suggested changes were agreeable to the Federal Reserve banks concerned with the exception of the proposed change between Baltimore and Boston which is not agreed to by the Boston bank, and he recommended that action on this proposed change be deferred pending further study and possible reconciliation of the views of the two banks involved.

After some discussion, upon motion, it was voted to approve the first four changes listed above and the Assistant Secretary was authorized to refer the proposed change between Boston and Baltimore to the Standing Committee on Collections.

Memorandum from Counsel dated July 28th with regard to an application under date of July 21st received through the Federal Reserve Bank of Chicago from the First National Bank of Rochester, Michigan, for surrender of the right to exercise the trust powers previously granted to it by the Board; Counsel recommending that, in accordance with the procedure outlined in Regulation "F", the Board request the Comptroller of the Currency at the time of the next regular examination of the bank to have the examiner make a special investigation in order to determine whether the bank has exercised the powers granted to it, and if so whether the bank has been discharged or otherwise properly relieved of all of its duties as fiduciary.

7/30/31

-5-

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

Memorandum from Counsel dated July 22nd with regard to the questions raised by the Federal Reserve Banks of Richmond and San Francisco whether deposits of certain funds should be considered as deposits of public monies by the United States in designated depositories and exempt from reserve requirements; Counsel reporting that a reply to the Board's inquiry of November 7, 1929 regarding this matter has recently been received from the Treasury Department, expressing the view that none of the several classes of deposits referred to in that inquiry are of such a character as to be exempt from reserve requirements, which, in his opinion, is correct with the possible exception of Canal Zone deposits.

With his memorandum Counsel also submitted drafts of letters:

1. To the Deputy Governor of the Federal Reserve Bank of Richmond, advising that deposits of Porto Rican funds, deposits of the Treasurer of the Philippine Islands; deposits of Indian funds; deposits of the Division of Insolvent National Banks of the Comptroller of the Currency and deposits of the Inland Waterways Corporation are not deposits of public monies by the United States in designated depositories so as to be exempt from reserve requirements; also, that the Board has deferred action on the question of the proper classification of deposits of funds of the Panama Canal Zone until additional information is obtained.
2. To the Cashier of the Federal Reserve Bank of San Francisco, advising that deposits of the Treasurer of the Philippine Islands, -Certificate Fund Account, and deposits of the Treasurer of the Philippine Islands, -General Fund Account, may not be regarded as being exempt from reserve requirements.
3. To the Chief of Office of the Panama Canal Zone requesting information as to the nature of the deposits of the Panama Canal Zone.

7/30/31

-6-

4. To the Secretary of the Treasury inquiring whether deposits designated "Howard Sutherland, Alien Property Custodian" may properly be classified as deposits of public monies by the United States in designated depositories and therefore exempt from reserve requirements, (which question was raised in a letter received from the Federal Reserve Bank of Richmond under date of June 1, 1931.)
5. To the Alien Property Custodian requesting information as to the nature of the deposits carried in accounts designated "Howard Sutherland, Alien Property Custodian."

Upon recommendation of the Law Committee, the several drafts of letters submitted by Counsel were approved and ordered transmitted.

Memorandum from Counsel dated July 23rd on matter referred to the Federal Reserve Bank of New York for recommendation at the meeting of the Executive Committee on July 7th, namely, letter dated July 6th from the attorneys for the Chase Bank, advising of a plan whereby the Chase Bank will absorb the Equitable Eastern Banking Corporation, and requesting approval of the establishment by the Chase Bank of branches at Shanghai, Hongkong and Tientsin, China, where the Equitable Eastern Banking Corporation now has branches, as well as approval of certain directors, officers or employees of the Chase National Bank serving as directors, officers or employees of the Chase Bank; the Assistant Federal Reserve Agent at New York having advised that this matter has been considered by the officers of the New York bank and they are of the opinion, in view of the change of ownership of the Equitable Eastern Banking Corporation as a result of the merger of the Equitable Trust Company into the Chase National Bank, that the merger would be a logical and reasonable development. In his memorandum, Counsel stated that there is no legal reason why the application to establish the branches referred to should not be approved and he submitted draft of letter to the attorneys of

7/30/31

-7-

the Chase Bank advising, (1) that the Federal Reserve Board approves the establishment of the branches in question on condition that each of them be actually established and opened for business within six months after this date and that if the establishment of any such branch is not effected within six months the Board's permission to establish that branch will terminate, and (2) that upon receipt of certain requested information the Board will be glad to give consideration to the applications of certain directors, officers and employees of the Chase National Bank for permission to serve at the same time as directors, officers and employees of the Chase Bank.

Upon motion, it was voted to approve the establishment by the Chase Bank of branches at Shanghai, Hongkong and Tientsin, China, on the condition set forth in the proposed letter, and the letter was ordered transmitted.

In connection with the above matter consideration was also given to a memorandum dated July 30th from the Board's Examiner in Charge, advising that arrangements have been made to have a representative of the Comptroller of the Currency examine the far eastern branches of the Equitable Eastern Banking Corporation in the near future and the Paris offices of the Chase Bank in the late fall, at which time a simultaneous examination will be made of the New York office of the Edge Act Corporation, but that in view of the comparative unimportance of the Mexico City office of the Chase Bank no examination of that office will be made this year unless the Board directs otherwise.

Noted, with approval.

Memorandum dated July 15th from the Board's Examiner in Charge submitting a report of examination of the Federal Reserve Bank of San Francisco and its branches made as of the close of business on June 6, 1931.

Ordered circulated.

7/30/31

-8-

94

The Governor then referred to the matter of a proposed time deposit by the New York Bank with the Bank for International Settlements, which was considered at the meeting of the Board on the afternoon of July 28th. He stated that Governor Harrison advised him over the telephone this morning that the New York directors have modified their action so as to authorize the officers of the bank, subject to the approval of the Federal Reserve Board, to make a demand deposit of \$10,000,000 in the Bank for International Settlements, the funds to be invested all or in part, as may be determined and arranged from time to time, in prime two-name bills guaranteed by the Bank for International Settlements.

After some discussion, upon motion, the following telegram to the Governor of the Federal Reserve Bank of New York was approved and ordered transmitted, Mr. Miller voting "no":

"Referring to our telephone conversation this morning, Federal Reserve Board has considered the changes suggested with regard to the terms of the deposit in the Bank for International Settlements referred to your telegram July 28th, and approves the proposal to make a demand deposit with the Bank for International Settlements in an amount not to exceed \$10,000,000 with the understanding that the funds are to be invested, as may be determined and arranged from time to time, in prime commercial two-name paper guaranteed by the Bank for International Settlements."

The Board then went into Executive session near the conclusion of which a telegram was received from the Governor of the Federal Reserve Bank of New York, reading as follows:

"Referring our wire of July 28 concerning the action of our directors relative to a deposit with the Bank for International Settlements and particularly to my telephone conversation with you on July 28 regarding the possibility of our buying bills endorsed or guaranteed by the Bank for International Settlements I have been advised by Mr. McGarrah that the Bank for International Settlements would probably be in a position to sell us from time to time bills from its portfolio stop Mr. McGarrah has also informed me that the Bank for International Settlements would be glad to accept a sight deposit of dollars from us with the understanding that part of this deposit would be used for

7/30/31

-9-

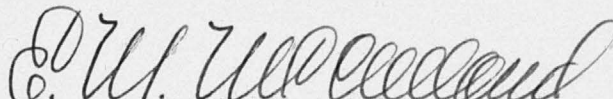
"the purchase of bills, as and when they are available, from the Bank for International Settlements for our account with its endorsement or guarantee stop If it meets with the Board's approval we would propose making such a deposit with the Bank for International Settlements in lieu of the time deposit referred to in our wire of July 28."

The members of the Board agreed, that having covered the matter referred to in the telegram already sent to Governor Harrison, there was no necessity for a reply to the above telegram.

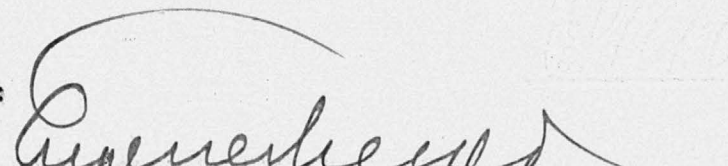
REPORTS OF STANDING COMMITTEES:

Dated, July 29th Recommending changes in stock at Federal Reserve Banks,
30th as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

The meeting adjourned at 12:45 p. m.


Assistant Secretary.

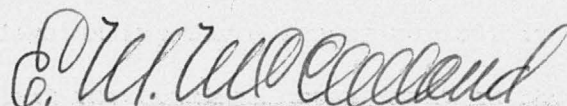
Approved:


Governor.

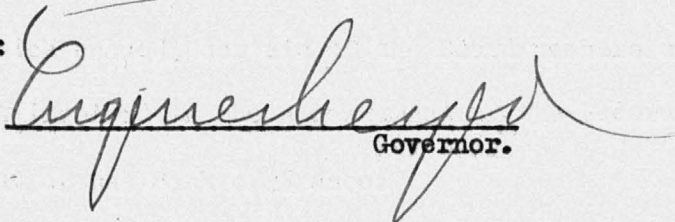
AUXILIARY MINUTES
(July 30, 1931)

Reports of Standing Committee dated July 29th and 30th, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
First National Bank in Aurora, Aurora, Illinois.	180	180
<u>Application for ADDITIONAL Stock:</u>		
<u>District No. 6.</u>		
Marion Central Bank, Marion, Alabama.	30	30
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u>		
First National Bank, Saegertown, Penna. (V.L.Abs. by First National Bank, Meadville, Penna.)	27	27
<u>District No. 7.</u>		
Central Trust Company of Illinois, Chicago, Ill. (Suc. by Central Republic Bank & Trust Co.)	12,000	12,000
<u>District No. 8.</u>		
Peoples National Bank, Hillsboro, Illinois.	42	42
<u>District No. 10.</u>		
First National Bank, Quapaw, Oklahoma. (V.L.Abs. by Bank of Quapaw)	18	18
	Total	12,087


Assistant Secretary.

Approved:


Governor.