

A meeting of the Federal Reserve Board was held in the office of the Governor on Tuesday, August 11, 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 28th and July 30th were approved.

The Assistant Secretary then presented various matters of business which were considered by the Board and acted upon as follows:

Letter dated August 6th from the Secretary of the Federal Reserve Bank of New York and telegrams dated August 6th from the Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, August 7th from the Secretary of the Federal Reserve Bank of Cleveland and the Chairman of the Federal Reserve Bank of Chicago (Executive Committee meeting at Chicago) and August 10th from the Secretary of the Federal Reserve Bank of Minneapolis, all advising that at meetings of their boards of directors on the dates stated no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted
with approval.

Telegrams dated August 6th and 7th from the Secretary of the Federal Reserve Bank of New York, advising of the purchase on those dates of £40,000 and £1,000,000, respectively, of sterling exchange.

Noted.

Telegram dated August 10th from the Secretary of the Federal Reserve Bank of New York stating that it has been the belief of the New York Bank that one of the purposes of the \$125,000,000 credit to the Bank of England which became effective August 1st was to facilitate support of sterling exchange by the Bank of England and that it should use the credit for this purpose rather than,

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for the present, to depend upon gold exports or cooperative purchases of sterling by Federal Reserve banks, and that in agreement with the Bank of England arrangements have been made to have the £1,900,000 of sterling recently purchased turned into the credit by selling to the Bank of England the bills purchased with these funds and repurchasing them under the terms and protection of the credit contract; the telegram further stating that purchases of £245,000 of sterling exchange made on August 8th and £960,000 on August 10th have been considered as drawings upon the credit and have been or will be converted into bills held for the account of the New York Bank under the terms of the credit.

Noted with approval.

Telegram dated August 6th from the Governor of the Federal Reserve Bank of New York stating that the bank has agreed to renew its participation in the credit to the Reichsbank for a period of three months at the discount rate of the Reichsbank but not to exceed 10%, all other participants in the credit having agreed to the renewal, which became effective on August 6th, upon the same basis. The telegram also contained a quotation of the press announcement made by the New York Bank with regard to the renewal of the credit.

Noted.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of New York, Kansas City, Dallas and San Francisco of employees for whom the directors approved leaves of absence with pay on account of illness during the month of July, 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.

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Report of Executive Committee on letter dated August 4th from the Federal Reserve Agent at San Francisco setting forth reasons why, in the opinion of the officers of the bank, the Federal Reserve Bank should not participate in the next examination of the Citizens Bank and Trust Company of Pocatello, Idaho, which institution has been in an unsatisfactory condition and the subject of considerable correspondence for some time; the Agent requesting reconsideration of the request contained in the Board's letter of July 29th that the Federal Reserve Bank have a representative present at the next examination of the member bank so that the Board may be fully advised of the situation and the corrective measures to be applied.

Upon recommendation of the Executive Committee, it was voted to withdraw the request that a representative of the Federal Reserve Bank participate in the next examination of the member bank.

Letter dated July 31st from the Federal Reserve Agent at Cleveland, submitting an analysis of the report of examination of the Farmers Bank, McCutchenville, Ohio, as of June 10, 1931, and calling attention to the recommendation of the Executive Committee of the Cleveland Bank that the Federal Reserve Board discontinue the membership of the Farmers Bank. In his letter the Federal Reserve Agent also referred to the Board's letter of July 16th requesting the board of directors of the Cleveland Bank to consider whether the present is an appropriate time to take action citing the State Bank of Bowling Green, Ohio, to show cause why it should not be required to forfeit its membership in the Federal Reserve System, and stated that the Board's letter, together with the action of the Executive Committee of the Federal Reserve Bank in the case of the Farmers Bank of McCutchenville will be submitted at the meeting of the directors on August 7th.

Noted.

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Memorandum from Counsel dated August 5th with regard to letter dated July 23rd from the Federal Reserve Agent at St. Louis transmitting a copy of the second report of the Special Legislative Investigation Committee of the General Assembly of the State of Tennessee, and a copy of the minority report of the committee, which summarize the results of investigations into alleged irregularities on the part of certain public officials of Tennessee in connection with the manipulation and misuse of State funds for the benefit of Caldwell & Company, Counsel stating that there is nothing in the reports requiring action by the Federal Reserve Board and recommending that they be circulated for the information of the members of the Board.

Ordered circulated.

Memorandum from Counsel dated August 4th submitting draft of reply to letter dated July 31st from the Vice President of the Herkimer National Bank, Herkimer, N. Y., requesting that the Federal Reserve Board issue a certificate of the termination of the bank's authority to exercise trust powers; the proposed reply setting forth the procedure to be followed by the national bank in applying for the surrender of trust powers.

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

Memorandum from Counsel dated July 30th, submitting, in accordance with the action taken at the meeting of the Board on July 28th, drafts of letters to the Chairmen of the Governors' and Federal Reserve Agents' Conferences, requesting consideration at the next joint conference of Governors and Federal Reserve Agents of (1) the advisability of securing from all member banks depositing securities with Federal Reserve banks for safekeeping, an agreement whereby the depositing member bank would agree to approve and accept the

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insurance policy carried by the Federal Reserve bank, etc., and (2) the cost of the safekeeping function at Federal Reserve banks. With his memorandum Counsel also submitted draft of letter to the Governors and Federal Reserve Agents of all Federal Reserve banks requesting advice prior to the next joint conference as to the total expense of each Federal Reserve bank in handling securities of member banks for safekeeping during the year 1930.

Upon recommendation of the Law Committee, the proposed letters were approved and ordered transmitted.

Memorandum from Counsel dated July 29th, submitting draft of reply to letter dated June 29th from the Federal Reserve Agent at Dallas requesting a ruling as to whether or not the First National Bank of Munday, Texas, may hold its own stock, acquired as collateral security for a loan previously made, in the form of a charged-off asset after having carried it in its active assets for more than six months, the bank having advised that it is impossible to find anyone who is willing to buy the stock under present conditions; the proposed reply advising that the member bank may not lawfully continue to hold such stock under the provisions of section 5201 of the Revised Statutes.

After a brief discussion as to what steps the member bank might take to dispose of the stock, the matter was referred to the Committee on District No. 11, for discussion with Mr. Gilbert, Deputy Governor of the Dallas Bank, who is here attending the meeting of the Open Market Policy Conference.

Memorandum from Counsel dated August 4th, submitting replies to the Board's letters of July 20th, received from Mr. Georges St. Jean, President of the Federal International Banking Corporation and Messrs. Roosevelt and O'Connor under dates of July 24th and 23rd, respectively; Counsel stating that the denial contained in Mr. St. Jean's letter that he authorized or approved

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the use in the circular letter issued by Schenkers, Inc., of the statement objected to by the Board, raises an issue of fact which cannot very well be settled by correspondence and there would seem to be no useful purpose in attempting to settle the matter until the Federal Reserve Board is asked to issue to the Federal International Banking Corporation a final permit to commence business.

Noted with approval.

Memorandum from Counsel dated July 27th, prepared in accordance with the action taken at the meeting on June 23rd, with regard to nonmember banks, acting as depositaries of public funds only through the purchase of securities through a War Loan deposit account, advertising themselves as United States Depositaries; Counsel expressing the opinion that there is no legal or moral ground upon which the Federal Reserve Board or a member bank may validly object to such an advertisement by a nonmember bank, although it would be possible for the Secretary of the Treasury in designating such depositaries to refuse to designate any nonmember bank as a special depositary unless it would agree that it would not advertise as a United States depositary.

During the discussion which ensued, it was the consensus of opinion of the members present that some distinction should be made between a nonmember bank acting as a War Loan depositary and member banks which have been designated as general depositaries, and, upon motion, the matter was referred to Mr. James for discussion with Treasury officials as to the possibility of the use of an advertising term which would more accurately describe the designation of nonmember banks as special depositaries of public funds.

The Governor then referred to the fact that during the past week, due to currency demands and the maturity of bills held by the Bank of France, which that bank did not replace, aggregating about \$125,000,000, the surplus reserves of New York City banks were absorbed and they borrowed something over

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\$80,000,000 at the Federal Reserve Bank on Friday. He stated that this indebtedness has been liquidated, but that the Bank of France held \$46,000,000 out of \$50,000,000 of bills maturing yesterday, the proceeds of which will also not be reinvested. To counteract this tightening influence, he stated that the Executive Committee of the Federal Reserve Bank of New York yesterday authorized the officers to purchase up to \$50,000,000 of Government securities and that he and Mr. Miller, who were present at the meeting, being familiar with the attitude of the Board, did not express any objection to the action. He stated that the Open Market Policy Conference is meeting today and that if a program of security purchases should be agreed upon, the \$50,000,000 being purchased by the New York Bank may be included in the System program.

He also reported that the question came up while he was in New York last week as to the presence of finance bills among the German bills purchased by the Federal Reserve banks. He stated that the matter has been taken up by the Federal Reserve Bank of New York, with the result that new bills are being given close scrutiny.

He then reported a discussion at the meeting of the New York Directors on Thursday relative to the treatment which should be accorded current bond depreciation by the supervisory authorities in connection with the legal requirements as to the closing of banks due to capital impairment. He stated that the New York Directors felt strongly that a lenient attitude should be taken in the classification of bond depreciation as a loss, and they requested that the matter be given consideration by the Federal Reserve Board. Mr. James stated that a few days ago the Acting Comptroller of the Currency, Mr. Awalt, had discussed the same subject with him.

It was the sense of the Board that while defaulted bonds could properly be written down to market values, the Comptroller of the Currency

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would be justified in adopting an attitude of forbearance in dealing with depreciation in the case of interest-paying bonds, it being the belief of the Board that in many instances bonds not in default have depreciated out of line with their probable present and future real values.

At the suggestion of the Board, Governor Meyer left the room and discussed the attitude of the Board, as above expressed, with the Governors of the Federal Reserve banks attending the meeting of the Open Market Policy Conference.

Upon his return, he reported that the Governors were unanimously in sympathy with the idea advanced by the Board and emphatically expressed themselves as being in favor of a suggestion along the lines being made to the Comptroller of the Currency.

REPORTS OF STANDING COMMITTEES:

- Dated, August 8th Recommending changes in stock at Federal Reserve Banks,
10th as set forth in the Auxiliary Minute Book of this date.
11th Recommendations approved.
- Dated, August 10th Recommending action on an application for fiduciary powers
as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, August 6th Recommending approval of the application of Mr. Paul A.
Schlafly, for permission to serve at the same time as
director of the Union Trust Company, East St. Louis, Ill.,
and as director of the First National Bank, Carlyle, Ill.
Approved.
- Dated, August 11th Recommending approval of the application of Mr. George M.
Moffett, for permission to serve at the same time as
director of the Title Guarantee and Trust Company of New
York, N. Y., and as director of the Chase National Bank
of New York, N. Y.
Approved.
- Dated, August 11th Recommending approval of the application of Mr. L. V.
McLean, for permission to serve at the same time as an
employee of the First National Bank at Pittsburgh, Pa.,
and as director of the First National Bank of Oakdale, Pa.
Approved.

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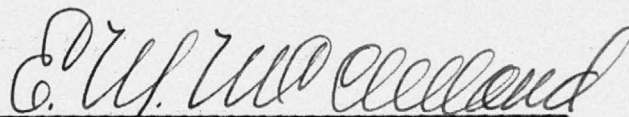
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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, August 11th Recommending approval of the application of Mr. Edward B. Leisenring, for permission to serve at the same time as director of the Fidelity-Philadelphia Trust Co., Philadelphia, Pa., as director of the Philadelphia National Bank, Philadelphia, Pa., and as director of the Girard Trust Company, Philadelphia, Pa.

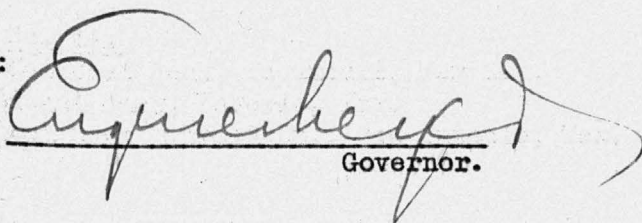
Approved.

The meeting adjourned at 12:50 p. m.



Assistant Secretary.

Approved:



Governor.

AUXILIARY MINUTES
(August 11, 1931)

Reports of Standing Committee, dated August 8th, 10th and 11th, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Applications for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 4.</u>		
Logan National Bank and Trust Company, New Kensington, Penna.	300	300
<u>District No. 6.</u>		
Florida National Bank and Trust Co. at Miami, Fla.	300	300
<u>District No. 10.</u>		
National Bank of Neligh, Neligh, Nebr.	36	36
	Total	636
<u>Applications for ADDITIONAL Stock:</u>		
<u>District No. 5.</u>		
First National Bank, Ashland, Va.	1	
First National Bank, Bassett, Va.	5	
First National Bank, Richlands, Va.	3	
National Bank of Commerce, Charleston, West Va.	1	10
<u>District No. 8.</u>		
First National Bank, Malvern, Ark.	2	
Second National Bank, Jackson, Tenn.	6	8
<u>District No. 11.</u>		
American National Bank, Tucumcari, New Mex.	1	
First National Bank, LaFeria, Tex.	2	
City-Central Bank & Trust Co., San Antonio, Tex.	12	15
	Total	33
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 3.</u>		
First National Bank, Irvona, Pa. (Insolvent)	30	30
<u>District No. 4.</u>		
Bell National Bank, Pineville, Ky. (Decrease in surplus)	38	38
<u>District No. 7.</u>		
Second National Bank, New Hampton, Iowa. (Insolvent)	72	
Sturgis National Bank, Sturgis, Mich. (V.L.Abs. by Citizens Trust & Savings Bank)	90	162
<u>District No. 12.</u>		
Commercial National Bank, Phoenix, Ariz. (V.L.Suc. by Arizona Bank, Phoenix, Ariz.)	78	78
	Total	308

Report of Standing Committee dated August 10th, recommending action on application for fiduciary powers by the following bank:

APPROVED:

DISTRICT NO. 7.

ILLINOIS:

The Park National Bank and Trust Company, Chicago, Ill. (3362)
(Effective if and when authorized to commence business)

E. W. Wood
Assistant Secretary.

Approved:

Edward
Governor.