

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, August 12, 1931, at 11:30 a. m.

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

ALSO PRESENT: Mr. Wyatt, General Counsel.

The Governor stated that Mr. Roy A. Young, who is in Washington in connection with the meeting of the Open Market Policy Conference, desired to come into the meeting and outline to the Board his discussions, while Governor of the Federal Reserve Board, with Mr. John G. Lonsdale, President of the Mercantile-Commerce Bank and Trust Company, and the Comptroller of the Currency, with regard to the ownership by the Mercantile-Commerce Bank and Trust Company of St. Louis of the stock of the Mercantile-Commerce National Bank.

Governor Young was thereupon invited into the meeting and stated that in April, 1930, he discussed the proposed continuation of the charter of the old National Bank of Commerce, and the retention of the stock of the national bank by the Mercantile-Commerce Bank and Trust Company with Mr. Lonsdale, and that not realizing that the conditions of membership of the state institution were involved, but believing that it was a matter which should be taken up with the Comptroller of the Currency, he had taken Mr. Lonsdale into the Comptroller's Office, where the matter was further discussed, and that later the Comptroller's Office had written a letter to Mr. Lonsdale outlining the procedure to be followed in changing the name and location of the national bank.

Governor Young also stated that when the request came to the Board from the Federal Reserve Agent at St. Louis that the Mercantile-Commerce Bank and Trust Company be permitted under its conditions of membership to retain the stock of the Mercantile-Commerce National Bank, he was prepared, in view of the

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fact that the Board had previously permitted State banks to hold stock in other banks, and in view of the Missouri State law which permitted a State bank to own the stock of one other bank, to approve the request, but that when the request was presented to the Board at the meeting on August 8, 1930, because of the absence of certain members of the Board, action on the matter was deferred. He further stated that he believed that if the request had been voted on at a full meeting of the Board at that time it would have been approved.

In response to an inquiry, Governor Young stated that he did not at any time make any pledge or commitment to Mr. Lonsdale on behalf of the Board, and that Mr. Lonsdale had stated to him that he had not understood that in their conversation Governor Young was speaking for the Board. Governor Young stated, however, that he could see how it would be possible for Mr. Lonsdale to have assumed from their conversation, the conversation with the Comptroller of the Currency, and the letter of instructions subsequently received from the Comptroller's Office, that no further approval was required. He also stated that he felt that Mr. Lonsdale had acted in entire good faith in the matter.

Mr. Lonsdale, who was also in Washington, was then invited into the meeting and stated to the Board that when the matter of the removal of the national bank to Grand and Delmar Avenues came up he discussed the matter with Governor Young and the Comptroller of the Currency, and that when the letter of April 30, 1930, was received from the Office of the Comptroller of the Currency, outlining the procedure to be followed in changing the name and location of the national bank, his bank had proceeded on the assumption that no further approval would be required. Mr. Lonsdale filed with the Board a copy of an opinion rendered by his counsel under date of April 18th, advising that under the Missouri law the Mercantile-Commerce Bank and Trust Company could

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own the stock of one other bank and that the counsel could see no legal difficulties in establishing an outlying bank should it be deemed advisable to do so. Mr. Lonsdale also filed with the Board a copy of the letter received from the Office of the Comptroller of the Currency under date of April 30, 1930, with regard to changing the name and location of the national bank, and stated that his bank had been very careful to proceed in accordance with the law.

It was explained to Mr. Lonsdale that the Board's objection to the retention by the Mercantile-Commerce Bank and Trust Company of the stock of the Mercantile-Commerce National Bank is based on its being a violation of the conditions of membership under which the state bank was admitted to membership in the Federal Reserve System, and that this point is not touched upon in the opinion rendered by the bank's counsel. Mr. Lonsdale replied that this point had evidently been overlooked by counsel in his opinion.

Mr. Lonsdale then referred to the liquid condition of the Mercantile-Commerce Bank and Trust Company and stated that if his bank has been guilty of a technical violation of the Regulations of the Board and the Mercantile-Commerce National Bank must be disestablished at its present location to meet a requirement of the Board, he is not fearful of any unfavorable developments resulting from a removal of the bank to its former location and the restriction of its operations to the liquidation of its trust business, although the matter might be somewhat difficult to explain to the average citizen of St. Louis. He referred, however, to the unsettled banking conditions throughout the country and particularly the situation as affecting the outlying banks in St. Louis which caused him concern in connection with a requirement of the Board that the Lafayette-South Side Bank and Trust Company should divest itself of its ownership of the stock of the South Side National Bank.

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The suggestion was then made that action might be deferred on the matter until such a time as it could be taken without disturbance to the local situation and Mr. Lonsdale stated he was not asking for special consideration on the part of his own institution as he feels that if the Board were to find it necessary to require the Mercantile-Commerce Bank and Trust Company to divest itself of the ownership of the stock of the Mercantile-Commerce National Bank, as at present operated, thereby necessitating the disestablishment of the national bank at its present location, it might be preferable for his institution to give consideration as promptly as possible to the question of making the necessary change.

Mr. Lonsdale then left the meeting and the matter was further briefly discussed, but no action was taken.

Mr. Hamlin then referred to a letter received under date of August 10th from the Chairman of the Atlantic National Bank of Boston with regard to the proposed amendment to the trust indenture under which the stock of the Atlantic Corporation is now held, and stating that this amendment will in effect make the proceeds of the stock unavailable to the creditors and depositors of the bank in satisfaction of the obligations of the bank and will require that upon the termination of the trust the proceeds be paid to the stockholders of the bank, whereas the present indenture states that the stock is held for the benefit of the Atlantic National Bank. The letter further stated that it is believed the proposed amendment is contrary to the best interests of the bank and that it is hoped that the Board will decide that the trust indenture under which the stock is now held is a satisfactory compliance with the order of the Comptroller of the Currency that the stock be removed from the assets of the Atlantic National Bank.

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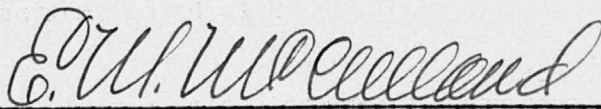
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Mr. Hamlin suggested that the bank's objection might be met by an amendment which would provide that in the event of dissolution or insolvency of the bank the trustees should hold the stock and all dividends thereon, or the proceeds of any sale thereof in trust for the protection of the depositors and other creditors of the bank, and that the trustees should not distribute any dividends or proceeds to the shareholders of the bank without first applying for and obtaining the permission of the Comptroller of the Currency.

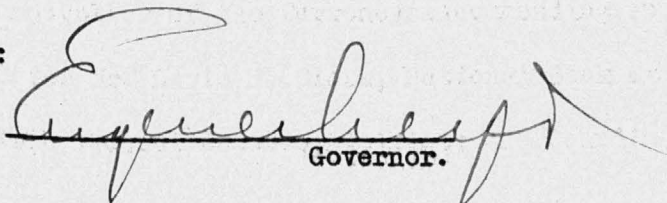
A discussion followed during which it was brought out by the Board's Counsel that the stock in question has already been taken out of the assets of the national bank and that there would seem to be no particular hardship in requiring that the stock be trusted absolutely for the benefit of the stockholders of the Atlantic National Bank.

At the conclusion of the discussion, Mr. Wyatt was instructed to discuss the matter with the Office of the Comptroller of the Currency and report to the Board.

The meeting adjourned at 1:00 p. m.

  
Assistant Secretary.

Approved:

  
Governor.