A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, August 13, 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

Mr. F. G. Awalt, Deputy Comptroller of the Currency.

Mr. Hamlin referred to the discussion at the meeting of the Federal Reserve Board yesterday with regard to the trusteeing by the Atlantic National Bank of the stock held by it in the Atlantic Corporation, and stated that Mr. Awalt, Deputy Comptroller of the Currency, is present to discuss certain phases of the matter with the Board.

Mr. Awalt informed the Board that the last examination of the Atlantic National Bank disclosed that it is not in an entirely satisfactory condition, losses aggregating approximately \$3,500,000 having been set up by the examiner, and that last December or January the bank turned over \$2,000,000 in cash from its undivided profits account to the Atlantic Corporation. Mr. Awalt stated that his office felt that in view of the condition of the bank, it was not justified in giving away any of its assets, or that it had a legal right to do so. He further stated the Comptroller's Office was not aware of the fact that the Board had requested the national bank to divest itself of the stock held by it in the Atlantic Corporation, and that the bank had been advised by the Comptroller that it had no right to transfer to its shareholders the stock which it held in the Atlantic Corporation, or to make a gift of cash to the Corporation.

Mr. Awalt then suggested that in order to meet the Board's requirements and in order to protect the interests of the national bank, the stock of the

Atlantic Corporation be trusteed for the benefit of the shareholders without a right on the part of the national bank to require the trustees to return the stock, the trust agreement to contain the provision, however, that the stock-holders of the Corporation shall receive no dividends on the stock or proceeds from the sale of the stock or assets of the Corporation until the Atlantic National Bank is reimbursed in the amount of \$2,850,000, covering the cash turned over to the Corporation by the bank, and the carrying value on the books of the bank of the stock of the Corporation.

A discussion followed during which it was brought out that there is no recent information available as to the value of the assets of the Atlantic Corporation, and that before any further action is taken on the matter of trusteeing its stock, it might be advisable to have an examination of the Corporation made by the Board's examiners.

At the conclusion of the discussion, upon motion, it was voted to request Mr. Awalt, Mr. Wyatt, and Mr. Drinnen, the Board's Examiner in Charge, to consult regarding the matter, with the understanding that Mr. Drinnen, with the authorization of the Governor or the Executive Officer of the Board, may conduct an examination of the Atlantic Corporation if that is deemed advisable.

The Assistant Secretary then presented a telegram dated August 13th from the Deputy Chairman of the Federal Reserve Bank of Richmond, advising that the board of directors, at its meeting today, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

The Governor stated that the System Committee on Reserves is prepared to submit a preliminary report on the study which it has been making, and that

he has suggested to Mr. Smead, Chairman of the Committee, that he meet with the Board for that purpose on Tuesday, August 18th, at 10:30 a.m.

The Board then went into an executive session.

At its conclusion, consideration was given to the action of the Executive Committee of the Federal Reserve Bank of New York on Monday, August 10th, reported by the Governor at the meeting of the Board on Tuesday, in authorizing the officers to purchase up to \$50,000,000 of Government securities, with a view to offsetting the retirement of an approximately equal amount of Treasury bill holdings which were maturing this week in the account of the Bank of France.

The Governor reported that on Monday the New York Bank purchased \$29,000,000 of securities under this authority and \$20,000,000 were purchased on Tuesday. He referred to the fact that he and Mr. Miller, who attended the meeting of the Executive Committee of the New York Bank on Monday, being familiar with the attitude of the Board, had not expressed any objection to the action taken.

Upon motion, the purchases made by the New York Bank were approved.

Further consideration was then given to the resolution adopted by the Open Market Policy Conference at its meeting on August 11th.

After some discussion, upon motion, a letter to the Chairman of the Conference, reading as follows was approved and ordered transmitted:

"The Federal Reserve Board has considered the Report and Recommendation of the Open Market Policy Conference held August 11, 1931.

"I am desired to advise you that the Board is in accord with the position of the Conference as expressed in the following statement: 'It is the opinion of the Conference that economic conditions in this country and throughout the world are now such that it is essential that the System be prepared promptly to take whatever further proper steps are in its power to encourage or facilitate a recovery in conditions as soon as it appears likely that such steps will be effective in accomplishing this purpose.'

"In consequence, the Board is prepared to give favorable consideration to any open market proposal or program which is designed to improve matters in the existing economic and financial exigency and to stimulate business recovery. The Board regards these as legitimate objectives in determining the character and scope of Open market operations by the Federal Reserve System in the present depressed state of business.

"The Board, therefore, gives a general approval to the contemplated purchase of Government securities for System account, and in order that it may be prepared to act promptly on the current application of this policy of purchase, it has authorized the Governor of the Board, for and on its behalf, until such time as the matter of open market policy should be reviewed and further considered, to exercise its approval with respect to the amount of \$120,000,000 of purchases fixed in the Recommendation of the Conference. The Board is not authorizing the Governor to exercise its approval with regard to sales of open market securities acquired for System account. In the event that conditions should take such a turn as to make sales of securities from System account advisable, in the judgment of the Executive Committee of the Conference, the Board would wish to consider the matter."

## REPORTS OF STANDING COMMITTEES:

Dated, August 12th Recommending changes in stock at Federal Reserve Banks, 13th as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, August 13th Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 1:00 p. m.

Assistant Secretary.

Approved:

for FRASER

Governor.

## AUXILIARY MINUTES (August 13, 1931)

Reports of Standing Committee dated August 12th and 13th, recommending changes in stock at Federal Reserve Banks, approved as follows:

Application for ORIGINAL Stock:	Shares	
Central National Bank, Chardon, Ohio.	45	45
Applications for SURRENDER of Stock:  District No. 2.		
First National Bank, Genoa, N. Y. (Insolvent)	30	30
District No. 3. Citizens National Bank, Jenkintown, Pa. (Insolvent)	100	100
District No. 5. Flat Top National Bank, Bluefield, W. Va. (Decrease in capital and surplus)	30	30
District No. 6. Harriman National Bank, Harriman, Tenn. (V.L.Abs. by First National Bank in Harriman)	41	41
District No. 9.  Peoples National Bank, Shakopee, Minn. (Insolvent)	18	18
District No. 11. Del Rio Bank & Trust Co., Del Rio, Texas. (Decrease in surplus)	48	48
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Report of Standing Committee dated August 13th, recommending action on an application for fiduciary powers by the following bank:

## APPROVED:

## DISTRICT NO. 4.

PENNSYLVANIA:

The Logan National Bank & Trust Company of New Kensington. (3363)
(Powers 1 to 7, inclusive) (Effective if and
when the Comptroller of the Currency authorizes
the bank to commence business, with a paid-in
capital of at least \$125,000.)

Assistant Secretary.

Approved:

Governor

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