

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, August 19, 1931, at 11:45 a.m.

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

The Assistant Secretary recommended that the probationary appointment of Mr. Edward A. Sheafe, Jr., as a stenographer in the Secretary's office, be made permanent at his present salary of \$1,600 per annum.

Recommendation approved.

The Assistant Secretary then presented the following matters of business which were considered and acted upon by the Committee:

Application for membership in the Federal Reserve System and for 270 shares of stock in the Federal Reserve Bank of Chicago, filed by the Union Bank and Trust Company, Ottumwa, Iowa, approval of which is recommended by the Membership Committee of the Federal Reserve Bank of Chicago, subject to the regular conditions of membership set out in Regulation H, and the following special condition:

"That the \$90,000 note signed by Cyrus Blake, C. L. Harper, W. T. Harper, Edwin C. Manning, C. G. Morrill and H. W. Morrill, given to the subject bank to cover the defalcation of the cashier, Rauscher, of the Iowa National Bank, be eliminated one year from date of admission to the System."

After discussion, upon motion, it was voted to approve the application for membership in the Federal Reserve System and for 270 shares of stock in the Federal Reserve Bank of Chicago, subject to the regular conditions of membership set out in Regulation H and the special condition referred to above.

Telegram dated August 19th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that the board of directors, at its meeting

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today, made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Matter informally noted without objection by the Executive Committee yesterday, namely, letter dated August 17th from the Governor of the Federal Reserve Bank of Richmond, advising of the absorption on that date by the American Bank and Trust Company of Richmond, Virginia, of the Richmond Trust Company, and recommending, for the reasons outlined in the letter, that the Board interpose no objection.

Upon motion, the action of the member bank was formally noted without objection.

Report of Executive Committee on letter dated August 15th from the Assistant Federal Reserve Agent at Chicago, advising of the absorption on August 5th by the Alpena Trust and Savings Bank, Alpena, Michigan, a member bank, of the Montmorency County Savings Bank, Hillman, Michigan; the Federal Reserve Agent stating that the character of the assets of the member bank would not be materially changed by the acquisition.

Upon recommendation of the Executive Committee, it was voted to interpose no objection to the action of the member bank.

Memorandum from Counsel dated August 17th with regard to letter dated August 12th from Mr. Georges St. Jean, advising that a meeting of the shareholders of the First Federal Foreign Banking Corporation was called for August 18, 1931, to vote on a proposed reduction in the capital stock of the corporation, which reduction he intends to protest against, and asking the opinion of the Board as to whether Section 25(a) of the Federal Reserve Act,

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which requires that the capital stock of a corporation organized under that section may be reduced by a vote of two-thirds of its shareholders, refers to two-thirds of the shareholders of the corporation or to two-thirds of the shares of stock. With his memorandum Counsel submitted draft of reply to Mr. St. Jean's letter, advising that this question is one upon which the Board has not had occasion to express an opinion and that it prefers not to undertake to determine the question or express a view until the matter shall arise in some concrete case in which it becomes necessary to decide whether a reduction in the capital stock of an Edge Act corporation has been authorized by proper corporate action.

A discussion followed during which Mr. Vest, Assistant Counsel, was called into the meeting and he discussed with the Board the advisability of making a definite ruling on the question submitted by Mr. St. Jean, or whether the decision on the matter should be deferred until the question is presented in a specific case.

At the conclusion of the discussion, the proposed reply submitted with Counsel's memorandum was amended and approved.

Mr. Vest then left the meeting.

Memorandum from Counsel dated August 17th, advising that in accordance with the action taken at the meeting of the Board on July 30th, the office of the Comptroller of the Currency has advised that the First National Bank of Rochester, Michigan, has never exercised any of the trust powers granted by the Federal Reserve Board. In his memorandum Counsel stated that he is of the opinion that the Board would now be justified in issuing to the First National Bank of Rochester, Michigan, a certificate of surrender of its authority to exercise trust powers in the following form:

"Pursuant to the authority vested in the Federal Reserve Board by Subsection (k) of Section 11 of the Act of Congress approved December 23, 1913, known as the Federal Reserve Act, as amended by the Acts of Congress approved September 26, 1918, and June 26, 1930, the Federal Reserve Board hereby certifies that the First National Bank of Rochester, Michigan, has duly surrendered the right to act as trustee, executor, administrator and registrar of stocks and bonds heretofore granted to it by the Federal Reserve Board pursuant to the provisions of the Federal Reserve Act and that the said First National Bank of Rochester, Michigan, is not now authorized to exercise any of the powers granted by Subsection (k) of Section 11 of the Federal Reserve Act.

"This certificate is issued on August 19, 1931, pursuant to a resolution duly adopted by the Federal Reserve Board on August 19, 1931, and duly recorded in its minutes."

After discussion, upon motion,
the form of certificate submitted
with Counsel's memorandum was approved
and the following resolution adopted:

"WHEREAS, pursuant to the provisions of Section 11(k) of the Federal Reserve Act, the Federal Reserve Board on July 23, 1915, issued to the First National Bank of Rochester, Michigan, a special permit granting said bank the right to act as trustee, executor, administrator and registrar of stocks and bonds;

"WHEREAS, the Cashier of said bank has filed with the Federal Reserve Board a certified copy of a resolution adopted by the Board of Directors of said bank on July 21, 1931, signifying the desire of said bank to surrender its right to act as trustee, executor, administrator and registrar of stocks and bonds;

"WHEREAS, the Cashier of said bank has surrendered to the Federal Reserve Board the certificate issued to said bank certifying that it had been granted the right to act as trustee, executor, administrator and registrar of stocks and bonds;

"WHEREAS, the Cashier of said bank has advised the Federal Reserve Board that said bank has not exercised its right to act as trustee, executor, administrator and registrar of stocks and bonds;

"WHEREAS, it appears from an examination of said bank completed July 25, 1931, made by a National bank examiner under direction of the Comptroller of the Currency, that said bank is not exercising any of the fiduciary powers granted to it by the Federal Reserve Board;

"WHEREAS, it appears from advice given the Comptroller of the Currency by the National bank examiner who made this examination that said bank has not assumed any duties nor accepted any appointments under the authority heretofore granted to it to act as trustee, executor, administrator and registrar of stocks and bonds; and

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"WHEREAS, the Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago has recommended that the Federal Reserve Board approve the surrender of the right heretofore granted to the said bank to act as trustee, executor, administrator and registrar of stocks and bonds;

"NOW, THEREFORE, BE IT RESOLVED, that the Federal Reserve Board issue to the First National Bank of Rochester, Michigan, a certificate certifying that said bank is no longer authorized to act as trustee, executor, administrator and registrar of stocks and bonds, nor to exercise any of the other powers granted by the provisions of Section 11(k) of the Federal Reserve Act."

Memorandum from Counsel dated August 14th, submitting, in accordance with the action taken at the meeting of the Board on August 13th, draft of letter to the Federal Reserve Agent at St. Louis, advising that it is still the view of the Federal Reserve Board that both the Mercantile-Commerce Bank and Trust Company and the Lafayette-South Side Bank and Trust Company must eventually make arrangements to conform to the requirements of the Federal Reserve Board as set forth in the Board's letter of July 8, 1931, with regard to the stock held by them in the Mercantile-Commerce National Bank and the South Side National Bank, respectively, but that in view of the unsettled banking conditions prevailing, and particularly in view of the information conveyed to the Board by Mr. Lonsdale regarding the situation affecting banks in the outlying district of St. Louis, the Federal Reserve Board will not expect a compliance at this time; the letter further stating that the action of the Board in permitting the present arrangement for the holding of the stock in question by the two member banks to continue for the time being is not to be regarded as a precedent for similar action in any case which may arise in the future.

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

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REPORTS OF STANDING COMMITTEES:

Dated, August 18th Recommending a change in stock at a Federal Reserve Bank, as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

Dated, August 15th Recommending approval of the application of Mr. J. W. Bradley, for permission to serve at the same time as officer of the Old National Bank & Union Trust Co. of Spokane, Washington, and as director of the Security National Bank, Palouse, Washington.

Approved.

The meeting adjourned at 12:30 p.m.

C. W. Russell

Assistant Secretary.

Approved:

W. W. [Signature]

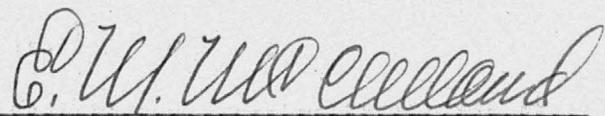
Governor.

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Committee

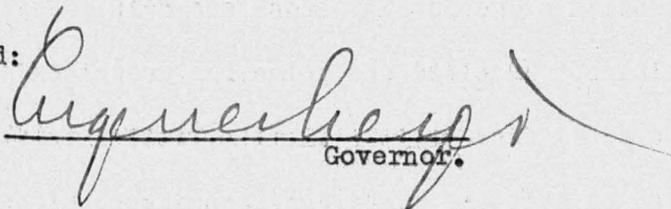
AUXILIARY MINUTES
(August 19, 1931)

Report of Standing Committee dated August 18th, recommending a change in stock at a Federal Reserve Bank, approved as follows:

<u>Application for SURRENDER of Stock:</u>	<u>Shares</u>	
<u>District No. 11.</u>		
Security National Bank, Wichita Falls, Texas. (V.L. Abs. by City National Bank, First National Bank, and Wichita State Bank & Trust Company)	225	225


Assistant Secretary.

Approved:


Governor.