

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, August 26, 1931, at 11:30 a. m.

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

The Governor reported that while in New York over the weekend he inquired of Governor Harrison regarding the statement which appeared recently in the British Labor press that the Federal Reserve Bank of New York has interfered with the internal policies of England, and that Governor Harrison assured him that such was not the case and that the bank had in no way sought to bring the pressure of the Federal Reserve System on the political situation in England.

The Governor also referred to the fact that the recent so-called Wiggin Report seemed to identify the credit extended to the Reichsbank by the Federal Reserve banks, in association with certain central banks in Europe, with short-term commercial credits which have been extended in Germany by American banks and bankers. He reported that Governor Harrison addressed a cablegram to the Bank for International Settlements, which is handling the credit to the Reichsbank, making it clear that the Federal Reserve bank credit should not be identified with the commercial credit situation, that the purposes, terms and conditions of that credit were entirely independent of the commercial credits and that it was not subject to the general restrictions imposed by the German Government and the Reichsbank. At the same time, he said, the cablegram made it clear that the Federal Reserve System did not desire to have the statement of its independent position construed to mean that it would apply any unduly harsh procedure or practice in connection with the credit to the Reichsbank.

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

Letter dated August 20th from the Secretary of the Federal Reserve Bank of New York and telegrams dated August 20th from the Chairmen of the Federal Reserve Banks of Kansas City and San Francisco, all advising that at meetings of their Boards of Directors on that date, no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated August 20th from the Director of the Division of Research and Statistics recommending approval by the Board of a leave of absence without pay from October 28th to November 13th for Miss Dorothy Fricke, an employee of the Division.

Recommendation approved.

Memorandum dated August 21st from the Chief of the Division of Bank Operations submitting statements showing the expenditures of Federal Reserve banks for educational and welfare work, etc., during the month of July and for the seven months' period ending July 31, 1931.

Ordered circulated.

Memorandum dated August 21st from the Assistant Secretary with regard to telegram dated August 19th from Deputy Governor Gilbert of the Federal Reserve Bank of Dallas, requesting approval by the Board of the following changes in the inter-district time schedule, which the Assistant Secretary stated are agreeable to the other Federal Reserve banks concerned:

From Dallas	to Jacksonville	From 3 days	to 2 days
" "	" Helena	" 3 "	" 4 "
" "	" San Francisco	" 4 "	" 3 "
" El Paso	" New York	" 4 "	" 3 "
" "	" Buffalo	" 4 "	" 3 "
" "	" Baltimore	" 4 "	" 3 "
" "	" Omaha	" 3 "	" 2 "

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From	To	From 3 days	to 2 days
El Paso	San Francisco	3	2
" Houston	" Cincinnati	3	2
" "	" Charlotte	4	3
" "	" San Francisco	4	5
" San Antonio	" Helena	2	3
" "	" Omaha		

Upon motion, the proposed changes were approved.

Memorandum from Counsel dated August 25th with regard to letter dated August 17th from the Assistant Federal Reserve Agent at New York, advising that the Merchants and Manufacturers Trust Company of Union City, New Jersey, and the Highland Trust Company were merged pursuant to provisions of an act of the State legislature whereby all of the property, franchises and interests of the constituent banks were transferred to the merged institution, which continues under the charter of the Highland Trust Company; the Assistant Federal Reserve Agent stating that it would appear that public interest has not been affected by the merger and that a revocation of the permit heretofore issued by the Federal Reserve Board to Mr. C. M. Mindnish for permission to serve as officer and director of the Hudson County National Bank of Jersey City, New Jersey, and as officer and director of the Highland Trust Company of Union City is not necessary. In his memorandum Counsel stated that in view of this advice and the fact that the banks which Mr. Mindnish is now serving are located in different cities, it seems clear that it is not necessary at this time for the Board to take any action in the matter.

Upon motion, draft of letter to the Assistant Federal Reserve Agent at New York, submitted with Counsel's memorandum and advising that the Board will not take any steps at this time looking toward the revocation of the permit granted to Mr. Mindnish, was approved and ordered transmitted.

Draft of reply to letter dated August 22nd from the Assistant Federal Reserve Agent at Chicago, advising of the consolidation on August 19th of the

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Lilley State Bank and the Tecumseh State Savings Bank, both member banks of Tecumseh, Michigan, and stating that as it is the opinion that the consolidated bank will still be in a rather unsatisfactory condition, the Federal Reserve bank intends to join in the next examination; the proposed reply requesting that following the examination of the consolidated bank a detailed report regarding its affairs be sent to the Board with a recommendation as to whether or not action should be taken by the Board relative to its membership in the Federal Reserve System.

Upon motion, the proposed reply was approved.

Letter dated August 24th from the Federal Reserve Agent at Chicago transmitting voluntary notice of intention to withdraw from membership in the Federal Reserve System filed by the Gilbert Savings Bank, Gilbert, Iowa, with the request that it be permitted to withdraw from membership immediately; the Federal Reserve Agent stating that the bank is in a very unsatisfactory condition and recommending that the bank's request for immediate withdrawal be granted.

Upon motion, it was voted to approve the immediate withdrawal of the Gilbert Savings Bank, Gilbert, Iowa, and to authorize the Federal Reserve bank to make refund upon surrender of the Federal Reserve bank stock held by the member bank.

Letter dated July 6th from the Federal Reserve Agent at St. Louis, responding to the inquiry contained in the Board's letter of July 2nd, regarding the action of the Montgomery County Loan and Trust Company, Hillsboro, Illinois, in taking over the Peoples National Bank of Hillsboro and the State Bank of Taylor Springs; the Federal Reserve Agent stating that according to a letter received from the Board under date of February 12, 1929, it is not

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necessary for a member bank to apply to the Board for permission to consolidate with another bank if, as in the present case, in the opinion of the management of the member bank the consolidation will not result in a change in the general character of the member bank's assets or broadening of its functions such as might tend to affect materially the standard maintained at the time it was admitted to the System.

In this connection, the Assistant Secretary presented draft of letter to the Federal Reserve Agent at St. Louis, advising that the attitude of the Board toward consolidations involving member banks, as set out in the letter to him above referred to, was not promulgated as a formal ruling nor communicated to all Federal Reserve banks; that the Board has more recently been of the opinion that such an interpretation of the "general" condition of membership is too broad; that it is now requesting from the Federal Reserve Agents as full information as possible with reference to each consolidation or merger in which a state member bank is involved and a recommendation from the Federal Reserve Agent as to whether the Board should interpose any objection to the action of the member bank by reason of the fact that the consolidation or merger constituted a violation of the "general" condition; and that it would be appreciated if in the future the Federal Reserve Agent at St. Louis would submit such a report to the Board in connection with any consolidation, merger or purchase of assets of another institution by a state member bank in the Eighth Federal Reserve District. The proposed letter further stated that it seems clear from the information at hand regarding the consolidation involving the Montgomery County Loan and Trust Company, that the transaction did not result in any material change in the character of the assets of the member bank within the meaning of its conditions of membership and the Board will, therefore, interpose no objection to the transaction.

Upon motion, the proposed letter was approved.

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Draft of reply to letter dated August 14th from the Secretary of the Federal Advisory Council requesting a list of topics which the Board desires the Council to discuss at its meeting to be held in Washington on September 15th; the proposed reply requesting that the members of the Council come to the meeting prepared to give detailed reports regarding the banking and credit conditions in their respective districts and stating that the Board would also like to consider with the Council the question of amendments to the Federal Reserve Act.

Upon motion, the proposed letter was approved.

Memorandum dated August 21st from the Director of the Division of Research and Statistics on letter dated August 20th from the Assistant Federal Reserve Agent at Philadelphia submitting an outline of the text and proposed charts to be used in connection with an exhibit which the bank is preparing for the forthcoming convention of the American Bankers Association. In his memorandum Dr. Goldenweiser suggested that charts dealing with the world depression in 1930 and 1931, the distribution of gold, and credits extended to foreign central banks, be omitted from the exhibit, and that the text on the subjects of changes in Federal Reserve credit and Federal Reserve credit policy be amended.

Upon motion, the outline of the exhibit was approved, with the changes suggested by the Director of the Division of Research and Statistics.

Memorandum from Counsel dated August 24th, advising that the demurrer filed by the Federal Reserve Bank of Richmond in the case of Lucas vs. the Federal Reserve Bank of Richmond has been sustained and while the decision of the trial court is a victory for the Federal Reserve bank in the case, it is considered likely that an appeal from the decision will be taken.

Noted.

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Memorandum from Counsel dated August 20th recommending that there be published in the next issue of the Federal Reserve Bulletin, the recent rulings of the Board (1) to the effect that reserves should be maintained against deposits received in connection with certain so-called "personal loans" and, (2) with reference to the eligibility for rediscount at a Federal Reserve bank of a veteran's note secured by his Adjusted Service Certificate and on which the veteran has waived the notice of transfer required to be given him under the provisions of Section 502 of the World War Adjusted Compensation Act. In his memorandum Counsel suggested that before the second named ruling is published in the form proposed, the Board inquire whether the Veterans' Administration has any objection.

Upon recommendation of the Law Committee, the publication of the two rulings referred to was approved, subject to approval of the form of the latter ruling by the Veterans' Administration.

Memorandum from Counsel dated August 21st, advising that he knows of no legal reason why the Board should not issue to the First Sterling National Bank of Sterling, Illinois, a certificate to the effect that the bank is no longer authorized to exercise fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

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

WHEREAS, pursuant to the provisions of Section 11(k) of the Federal Reserve Act, the Federal Reserve Board on September 23, 1927, issued to The Sterling National Bank of Sterling, Illinois, a special permit granting said bank the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois;

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WHEREAS, on March 8, 1930, The Sterling National Bank consolidated with The First Sterling National Bank of Sterling, Illinois, under the Act of Congress of November 7, 1918, the consolidated bank having the title of "First Sterling National Bank";

WHEREAS, such consolidated bank succeeded to the right to exercise the fiduciary powers previously granted to The Sterling National Bank by the Federal Reserve Board;

WHEREAS, the Vice President of such consolidated bank has filed with the Federal Reserve Board a certified copy of a resolution adopted by the Board of Directors of said bank on January 13, 1931, signifying the desire of said bank to surrender its right to exercise the fiduciary powers granted to The Sterling National Bank;

WHEREAS, the Vice President of such consolidated bank has surrendered to the Federal Reserve Board the certificate issued to The Sterling National Bank, certifying that it had been granted the right to exercise fiduciary powers described above;

WHEREAS, it appears from an examination of the First Sterling National Bank completed June 10, 1931, made by a National bank examiner under the direction of the Comptroller of the Currency, that said bank has been discharged or otherwise properly relieved in accordance with law of all its duties as fiduciary; and

WHEREAS, the Federal Reserve Agent at Chicago has recommended that the Federal Reserve Board approve the surrender of the right of the First Sterling National Bank to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois;

NOW, THEREFORE, BE IT RESOLVED, that the Federal Reserve Board issue to the First Sterling National Bank of Sterling, Illinois, a certificate certifying that said bank is no longer authorized to exercise any of such fiduciary powers under the provisions of Section 11(k) of the Federal Reserve Act.

Letter dated August 25th from the Assistant Treasurer of the Federal Farm Board, advising that the Canal Bank and Trust Company of New Orleans, Louisiana, is custodian for certain collateral in connection with loans by the Federal Farm Board to the American Cotton Cooperative Association, that it frequently occurs that cash is substituted in lieu of documents withdrawn, and that the bank has agreed to lodge this account on its trust ledger and pledge certain of its miscellaneous securities in sufficient amount to

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protect the deposit; the letter inquiring whether the Canal Bank and Trust Company, which is a member of the Federal Reserve System, is being operated under the provisions of the Federal Reserve Act and is subject to Federal Reserve examinations and if the securities which the trust company may own are limited to those investments mentioned in the Act. The Assistant Secretary presented draft of a proposed reply to the above letter, advising (1) that while the member bank is subject to the restrictions and limitations imposed by the Federal Reserve Act, the type of investments which the trust company may make is a matter regulated by State law, (2) that there is no provision of the Federal Reserve Act prescribing the classes of securities in which state member banks or trust companies may invest and (3) that in Louisiana, State examinations of member banks are customarily accepted in lieu of Federal Reserve examinations under authority of the Act, although Federal Reserve examiners sometimes participate in such examinations.

Upon motion, the proposed letter was approved.

REPORTS OF STANDING COMMITTEES:

- Dated, August 21st 24th 25th Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, August 20th 26th Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, August 20th Recommending approval of the application of Mr. W. B. Roberts, for permission to serve at the same time as director and officer of the Bank of Florence of Omaha, Nebraska, director of the First National Bank of Omaha, Nebraska, and as director of the Security National Bank of Laurel, Nebraska. Approved.
- Dated, August 21st Recommending approval of the application of Mr. Carter Stewart, for permission to serve at the same time as director and officer of the Public National Bank & Trust Company of Houston, Texas, director and officer of the First National Bank of Harlingen, Texas, and as director and officer of the Citizens State Bank, Houston, Texas. Approved.

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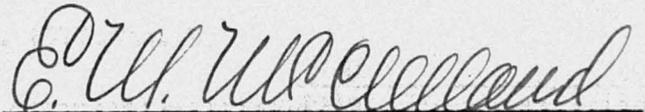
REPORTS OF STANDING COMMITTEES: (Cont'd)

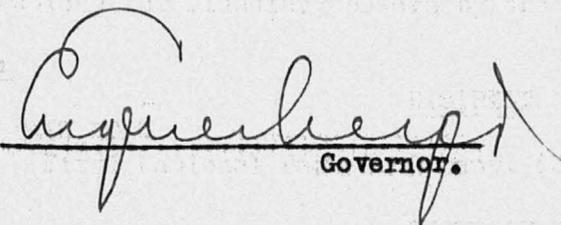
Dated, August 21st Recommending approval of the application of Mr. W. Curtis Bok, for permission to serve at the same time as director of the Camden National Bank of Camden, Maine, and as director of the Girard Trust Company of Philadelphia, Pa.
Approved.

Dated, August 21st Recommending approval of the application of Mr. John P. Saul, Jr., for permission to serve at the same time as director of the Farmers National Bank of Salem, Virginia, and as director of the Colonial-American National Bank of Roanoke, Virginia.
Approved.

Dated, August 21st Recommending approval of the application of Mr. B. D. Foster, for permission to serve at the same time as director of The Third National Bank of Pittsburgh, Penna., and as director of the Brookline Savings and Trust Company of Pittsburgh, Pennsylvania.
Approved.

The meeting adjourned at 12:35 p. m.


Assistant Secretary.

Approved: 
Governor.

(Executive
Committee)AUXILIARY MINUTES
(August 26, 1931)

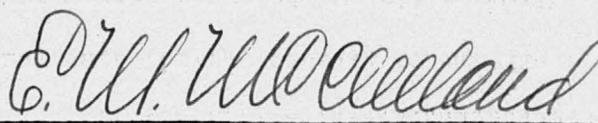
Reports of Standing Committee dated August 21st, 24th and 25th, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Applications for ADDITIONAL Stock:</u>	<u>Shares</u>	
<u>District No. 7.</u>		
First National Bank, Clinton, Ind.	9	
Detroit Savings Bank, Detroit, Mich.	<u>120</u>	129
<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 2.</u>		
First National Bank, Sea Bright, N. J. (V.L.Suc. by First National Bank in Sea Bright)	44	44
<u>District No. 5.</u>		
First National Bank, Pearisburg, Va. (V.L.Suc. by Giles County Bank and Trust Company)	105	105
<u>District No. 7.</u>		
Noel State Bank, Chicago, Ill. (Insolvent)	840	
Wayne Savings Bank, Wayne, Mich. (Insolvent)	<u>90</u>	930
<u>District No. 9.</u>		
First National Bank, La Moure, N. Dak. (V.L.Suc. by First State Bank)	39	
Merchants National Bank, Willow City, N. Dak. (Insolvent)	<u>17</u>	56
<u>District No. 11.</u>		
First National Bank, Mineral Wells, Tex. (V.L.Abs. by State National Bank)	60	60
	<u>Total</u>	<u>1,195</u>

Reports of Standing Committee dated August 20th and 26th, recommending action on applications for fiduciary powers by the following banks:

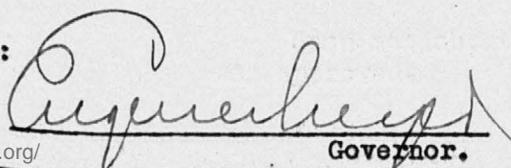
APPROVED:DISTRICT NO. 2.NEW YORK:

First National Bank in Sidney. (3365)

DISTRICT NO. 7.ILLINOIS:The Second National Bank of Belvidere.
(Supplementary. Powers 5 to 9 inclusive.)


Assistant Secretary.

Approved:



Governor.