A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, October 1, 1931, at 11:30 a. m.

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

ALSO PRESENT: Mr. Harrison, Assistant to the Governor,
               Mr. Wyatt, General Counsel.

Mr. Wyatt referred to his memorandum of September 29th, submitted through the Law Committee, with regard to a request received by him from Mr. Ueland, Counsel of the Federal Reserve Bank of Minneapolis for the views of the Federal Reserve Board and its Counsel as to the advisability of retaining special counsel on behalf of all Federal Reserve banks to assist in an appeal to the Supreme Court of the United States of the recent decision of the Circuit Court of Appeals for the Eighth Circuit in the case of Hirning, Receiver v. Federal Reserve Bank of Minneapolis. Mr. Wyatt reviewed the question involved in the case and stated that he had advised Mr. Ueland that in his opinion the case should not be taken to the Supreme Court because the facts are unfavorable to the Federal Reserve bank and it is not a good case in which to test in the Supreme Court the important issues involved, but that Mr. Ueland is confident of winning the case, and has been instructed by the Minneapolis bank to petition the Supreme Court for a writ of certiorari, which he is very anxious to do. Mr. Wyatt reiterated the recommendation made in his memorandum of September 29th that the Federal Reserve Board request the Federal Reserve Bank of Minneapolis not to appeal the case, stating that he feels that the Supreme Court will affirm the decision of the Circuit Court of Appeals and, in doing so, might announce broad principles which will be embarrassing and injurious to all Federal Reserve banks in future similar litigation.
A general discussion of the matter followed, at the conclusion of which it was voted to inform the Chairman of the Federal Reserve Bank of Minneapolis that the Board strongly advises against the appeal of the case to the Supreme Court and, therefore, would not consent to make it a System matter.

The Governor then referred to the action taken at the meeting yesterday with regard to the eligibility for rediscount of bankers' acceptances drawn to finance the storage of cotton by Anderson, Clayton & Company. He stated that as Mr. Clayton of Anderson, Clayton & Company has advised that it will not be possible for him to visit Washington or New York in the near future for a discussion of the matter, he will communicate the Board's position to the Governor of the Federal Reserve Bank of Atlanta with the request that he present that position personally to the officers of Anderson, Clayton and Company.

The Governor then requested Mr. Harrison to present to the Board his views regarding the practice which has been followed in the past of having the several Federal Reserve Agents bring to the attention of the Board all cases of consolidations of one or more banks under the charter of a state member bank, with an expression of opinion as to whether the consolidation involves a change in the character of the assets of the member bank within the meaning of its conditions of membership in the Federal Reserve System. Mr. Harrison stated that it has been the practice of the Board, ordinarily, upon receipt of what might be termed a preliminary report of the Federal Reserve Agent, based for the most part on information received from the member bank itself, to interpose no objection to the action taken by the member bank in consolidating or absorbing the other institution or institutions and to so
advise the Federal Reserve Agent. He stated that since in practically all cases the consolidations have been effected before being brought to the attention of the Board, the thought occurred to him that it would be preferable if the Board, instead of acting on the preliminary and partial information which the Federal Reserve Agent is able to furnish immediately after the consolidation, would defer action until the Agent could report on the basis of definite information developed in the next examination of the member bank whether or not the consolidation actually did result in such a change in the assets of the member bank as would constitute a violation of its conditions of membership, requesting the Agent in cases where it may appear to be necessary to have one of his own representatives participate in the examination, or, at least, to consider the advisability of so doing.

During the discussion which followed it was the consensus of opinion that the suggested procedure would be a desirable one to follow in the future, except, of course, in cases where it is clear that the assets of another institution acquired by a member bank were taken over merely for liquidation and not mingled with the member bank’s own assets.

The Governor then presented a letter dated September 24th from the Assistant Federal Reserve Agent at New York, advising of the absorption on September 16, 1931, by the Peoples Bank and Trust Company of Passaic, N. J. of the American Trust Company of Passaic, and stating that in his opinion the merger has not resulted in any change in the character of the assets of the member bank within the meaning of its conditions of membership.

Upon motion, it was voted to request the Assistant Federal Reserve Agent at New York to have an examiner participate in the next examination of the Peoples Bank and Trust Company following which a report should be made to the Board as to whether or not the
absorption has actually resulted in a material change in the character of the bank's assets.

The Governor also presented a letter dated September 16th from the Assistant Federal Reserve Agent at New York submitting information with regard to the action of the Continental Bank and Trust Company of New York in merging on September 15, 1931, the Straus National Bank and Trust Company of New York and in taking over the business of the International Trust Company, New York City; the Assistant Federal Reserve Agent also advising that in his opinion the absorption will not result in a change in the general character of the assets of the member bank such as will tend to affect materially the standard maintained and required as a condition of membership.

Upon motion, it was voted to request the Assistant Federal Reserve Agent to participate in the next examination of the member bank and ascertain and report to the Board whether or not its action as referred to above has resulted in a change in the character of its assets within the meaning of its conditions of membership.

The Governor then presented a report of the Executive Committee on letters dated September 12th and 16th from the Federal Reserve Agent at Richmond, with regard to the action on September 9, 1931, of the Bank of Commerce and Trusts of Richmond, in acquiring for liquidation the assets and assuming the deposit liability of the Union Bank and Federal Trust Company of Richmond; the Federal Reserve Agent advising that he is satisfied that there is nothing in the transaction which violates the member bank's conditions of membership and the Board's Committee recommending that no objection be interposed.

Upon motion, it was voted to interpose no objection to the action of the member bank.
The Governor then stated that under date of September 29th, he received from the Governor of the Federal Reserve Bank of New York, a letter reviewing the history of the negotiations leading up to the disposition by the Argentine Government of the private credit of $50,000,000 which matured on October 1, 1931, and that he would like to have the letter circulated among the members of the Board.

Ordered circulated.

The Governor also reported that in accordance with the informal authority previously given him by the Board, he has talked with Mr. Chester Morrill with regard to his accepting the position as Secretary of the Federal Reserve Board, and that Mr. Morrill advised that he will accept the position and can assume his duties on October 7th.

Accordingly, upon motion, it was voted to appoint Mr. Chester Morrill as Secretary of the Federal Reserve Board, effective October 7, 1931, at a salary of $12,000 per annum.

The Governor also stated for the record, that under date of September 22nd the Board received a cablegram from the Banco Central de Bolivia inquiring whether the Board could assist it in transferring at par to the United States, £900,000 on deposit in London, which is part of the bank's legal reserve; that the cablegram was transmitted to the Governor of the Federal Reserve Bank of New York who had advised the Banco Central de Bolivia that it would not be possible to comply with its request.

The Governor then presented a letter dated September 21st from Mr. Walter W. Smith, President of the First National Bank, St. Louis, Mo., advising that Mr. Ottley, member of the Federal Advisory Council from Atlanta, suggests that it might be helpful to release to Mr. Rudolph S. Hecht,
Chairman of the Economic Policy Commission of the American Bankers Association, the resolutions of the Council adopted at its recent meeting, pertaining to the Comptroller's recommendations to Congress concerning branch and group banking; Mr. Smith stating that as Vice-President of the Advisory Council, he would not like to release these resolutions unless it meets the complete approval of the Federal Reserve Board.

After some discussion, upon motion, it was voted to advise Mr. Smith that the release of the recommendations of the Advisory Council is a matter for the Council to decide, but that if the recommendations are released it should be made clear that the Board has not expressed either approval or disapproval of them.

The Governor then stated that several of the Governors and Federal Reserve Agents of the various Federal Reserve banks have advised him that in view of present conditions, they feel it would be inadvisable for them to leave the banks to attend the conferences of Governors and Federal Reserve Agents scheduled to begin on October 19th, and he suggested that it might be advisable to give consideration to the postponement of the conference meetings.

After a brief discussion, upon motion, the Governor was authorized, should it be found desirable, to advise the Governors and Federal Reserve Agents that the conferences will be postponed until a date to be determined later.

The Assistant Secretary then stated that the term of Mr. James as a member of the Executive Committee expired on September 30th and, in the regular order of rotation, Mr. Magee was designated to serve during the last quarter of the year.

The Assistant Secretary then presented the following items which were considered and acted upon by the Board:
Report of Executive Committee on letter dated September 24th from the Comptroller of the Currency recommending approval of a salary of $2,700 per annum for Mr. Lorrille J. Boyle, National Bank Examiner, assigned to the Ninth Federal Reserve District; the Board’s Committee recommending approval.

Approved.

Circular announcement addressed by the Governor of the Federal Reserve Bank of Richmond to the member banks in that district advising of the resignation on September 30th of Mr. Albert H. Dudley, Managing Director of the Baltimore Branch, and stating that Mr. Dudley’s successor will be appointed in due course.

Noted.

Draft of letter to the Chairman of the Federal Reserve Bank of Dallas, confirming the telegram sent him yesterday advising that the Board is prepared to approve a salary of $30,000 per annum for Mr. B. A. McKinney, if and when he is appointed Governor of the Dallas bank; the letter also stating that the Board reluctantly took the action referred to only because of the peculiar circumstances surrounding this particular case and the considerations of urgency advanced by the Dallas directors.

Upon motion, the proposed letter as amended, was approved.

Memorandum from Counsel dated September 23rd with further regard to the question raised by Deputy Governor Broaddus of the Federal Reserve Bank of Richmond in his letter of June 1, 1931, as to whether funds deposited in a member bank in an account designated as "Howard Sutherland, Alien Property Custodian", may properly be classified as deposits of public
monies by the United States in designated depositaries within the meaning of the statute exempting such deposits from reserve requirements; Counsel stating that in his opinion the funds referred to may not properly be so classified.

Upon motion, draft of letter to the Deputy Governor of the Richmond Bank in accordance with Counsel's opinion, was approved and ordered transmitted.

Report of Executive Committee on letter dated September 16th from the Comptroller of the Currency recommending approval of the application of the Genesee River National Bank and Trust Company, Mt. Morris, N. Y., for permission to reduce its capital from $100,000 to $50,000, immediately increasing the capital back to $100,000, and crediting to the bank's undivided profits account the amount of the reduction, which, together with a premium of $100,000 to be realized from the sale of 5,000 shares of $10 par stock at $30 per share, will be used to remove from the bank estimated losses and depreciation set up by the examiner; the Comptroller's recommendation being subject to the condition that the new stock be sold only to persons or concerns who have knowledge as to the use to which the reduction in capital and the premium on the new stock is to be put.

Upon motion, it was voted to approve the reduction subject to the condition recommended by the Comptroller of the Currency.

Applications filed by the First National Bank in East Chicago, Indiana, and the Union National Bank of Indiana Harbor at East Chicago, Indiana, for permission to exercise full trust powers, approval of which is recommended by the Federal Reserve Agent at Chicago and by the Comptroller of the Currency. The Assistant Secretary called attention to the fact that these two institutions were granted limited trust powers by the Board on
March 4, 1931, in order to permit them to administer the trust accounts taken over from the First National Bank and Trust Company of East Chicago, the United States National Bank of Indiana Harbor, and the First Calumet Trust and Savings Bank of East Chicago. He also stated that while a large percentage of the assets taken over by the two banks are criticized and some loss seems inevitable, the institutions are sponsored by a very strong group of industrialists operating in and around Chicago; that the management is very highly regarded; that the active management of the trust department in each bank is in the hands of experienced trust officers who conducted the trust departments in the old national banks in such a way that no criticisms were made; and that apparently a considerable amount of new business is being offered to the banks which they would like to handle.

After discussion, upon motion, it was voted to approve the applications filed by the First National Bank in East Chicago and the Union National Bank of Indiana Harbor for full trust powers, Mr. James and Mr. Magee voting "no".

The Governor then stated that he believes it would be desirable for the Board to cable Mr. John Foster Dulles, who is now in Europe on his own account and request him to investigate and report to the Board on economic and financial conditions in the countries he is visiting, with special reference to the export of American agricultural products.

After a brief discussion, upon motion, the Governor was authorized to cable Mr. Dulles in accordance with his suggestion and to arrange to reimburse Mr. Dulles for any additional expense that may be incurred by him as a result of the Board’s request.
REPORTS OF STANDING COMMITTEES:

Dated, September 30th  Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, October 1st  Recommending approval of the application of Mr. Edward C. Baltz, for permission to serve at the same time as director of the Security Savings & Commercial Bank of Washington, D.C., and as director of the Federal-American National Bank and Trust Company, Washington, D.C.

Approved.

Dated, October 1st  Recommending approval of the application of Mr. Edward Ball, for permission to serve at the same time as director of The Florida National Bank of Jacksonville, Fla., as director of the Florida National Bank at St. Petersburg, Fla., and as director of The Florida National Bank & Trust Company at Miami, Fla.

Approved.

Dated, October 1st  Recommending approval of the application of Mr. Alfred I. DuPont, for permission to serve at the same time as director and officer of The Florida National Bank of Jacksonville, Fla., and as director of The Florida National Bank & Trust Company at Miami, Florida.

Approved.

Dated, October 1st  Recommending approval of the application of Mr. J. Walter Muhlback, for permission to serve at the same time as officer of The Florida National Bank of Jacksonville, Fla., and as director and officer of The Florida National Bank and Trust Company at Miami, Florida.

Approved.

The meeting adjourned at 12:50 p.m.

[Signature]

Assistant Secretary.

Approved:

[Signature]

Governor.
AUXILIARY MINUTES  
(October 1, 1931)

Report of Standing Committee dated September 30th, recommending changes in stock at Federal Reserve Banks, approved as follows:

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<th>District No.</th>
<th>Bank Name</th>
<th>Shares</th>
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<td>2</td>
<td>Manufacturers National Bank, Mechanicville, N. Y. (Insolvent)</td>
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<tr>
<td></td>
<td>Rockaway Beach National Bank, New York, N. Y. (Insolvent)</td>
<td>144</td>
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<tr>
<td>4</td>
<td>First National Bank, Millsboro, Pa. (Insolvent)</td>
<td>24</td>
</tr>
</tbody>
</table>

Total 288

Assistant Secretary.

Approved: [Signature]

Governor.