

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, October 7, 1931, at 11:15 a. m.

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

ALSO PRESENT: Mr. Harrison, Assistant to the Governor.

The Governor reported that on October 5th, in accordance with authority previously granted, he advised all Governors and Federal Reserve Agents that the fall conferences set for October 19th have been postponed and that they will be advised later with respect to another date.

The Assistant Secretary advised that the Comptroller of the Currency on October 6th made a call upon all national banks for reports of condition as of the close of business Tuesday, September 29, 1931, and that in accordance with the usual procedure a call was made on all state member banks for reports of condition as of the same date.

Upon motion, the call made on behalf of the Board for reports of condition of state member banks was ratified.

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

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of New York and Philadelphia of employees for whom the directors authorized leaves of absence with pay, on account of illness, during the month of September, where the total of such absences since January 1, 1931, has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

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Report of Committee on Salaries and Expenditures on letter dated October 1st from the Chairman of the Federal Reserve Bank of Dallas requesting approval of the appointment of Mr. Guy E. Felty as special representative in the loan department of the bank, an appraised position under the bank's personnel classification plan, at a salary of \$1,800 per annum; the Board's Committee recommending approval.

Approved.

Draft of reply to letter dated October 2nd from Congressman Louis T. McFadden, requesting a copy of the agreement entered into with the Board by the International Acceptance Bank, Inc., as a condition precedent to the purchase of the stock of the latter by national banks under the provisions of Section 25 of the Federal Reserve Act; the proposed reply enclosing a copy of the form of agreement used by the Board in this connection and advising that with the modification referred to in the letter addressed to Mr. McFadden under date of September 15th it is the agreement under which the International Acceptance Bank, Inc., is now operating.

Upon motion, the proposed letter was approved.

Letter dated September 29th from the Federal Reserve Agent at Dallas commenting in detail on the unsatisfactory condition and the particularly unsatisfactory reserve record during the period May 16th to September 15, 1931, of the City National Bank, Wichita Falls, Texas.

Upon recommendation of the Committee on District No. 11, draft of reply to Mr. Walsh's letter requesting that he advise the Board of the progress made in connection with certain steps to improve the condition of the bank, and draft of letter to the Comptroller of the Currency transmitting for his information a copy of the Federal Reserve Agent's letter, were approved and ordered transmitted.

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Letter dated October 3rd from the Federal Reserve Agent at Minneapolis inquiring whether the Board would approve the designation as Assistant Federal Reserve Agent of one of the Directors of the Helena Branch and the designation as Alternate Assistant Federal Reserve Agents of an officer of each of two large banks in Helena; the Federal Reserve Agent stating that with the gold cover of the bank at a point where any further reduction in deposit balances may require the sale of some of the bank's investments, it is desired to make use of all the gold available by reducing to the lowest workable basis the amount of Federal Reserve notes carried in the bank's cash; that in order to accomplish this at the Helena Branch, it is proposed to retire from \$1,500,000 to \$2,500,000 of notes; that the usual custody arrangement approved by the Board for the carrying of unissued notes at branches of Federal Reserve banks does not appear practicable, and that if the designations above referred to are approved by the Board, it is proposed to hold the unissued notes in joint custody at the branch through chest combinations held separately by the agent's representatives and branch officials, with a seal on each chest by a representative of the head office controller stationed at the branch.

After discussion, upon motion, it was voted to advise the Federal Reserve Agent that the Board has no objection to the proposed plan and will designate an Acting Assistant Federal Reserve Agent and alternates for the balance of the current year upon advice of the names of those whom he wishes to have so designated.

Letter dated October 3rd from the Federal Reserve Agent at San Francisco and telegram dated October 6th from the Assistant Federal Reserve Agent at San Francisco, transmitting voluntary notice filed under date of October

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1st by the Multnomah Commercial and Savings Bank, Multnomah, Oregon, of its intention to withdraw from membership in the Federal Reserve System and the request of the bank that it be permitted to withdraw from membership immediately; the Federal Reserve Agent stating that the bank is in a very unsatisfactory condition and that he recommends, with the concurrence of his Executive Committee, that the bank be allowed to withdraw from membership immediately.

Upon motion, it was voted to waive the usual six months' notice and to permit the immediate withdrawal of the member bank.

Draft of reply to letter dated October 1st from the Assistant Federal Reserve Agent at Chicago with regard to the consolidation on September 15th of the American National Bank, the Security National Bank and the Home State Bank for Savings, all of Grand Rapids, Michigan, under the charter of the latter and title of "American Home Security Bank of Grand Rapids"; the proposed reply stating that in view of the fact that charge-offs against certain reserves which were set up for losses and depreciation are being deferred pending the next examination, the Board has deferred action on the question whether the consolidation has resulted in a change in the general character of the assets of the member bank, within the meaning of its general condition of membership in the System, and that consideration should be given to the advisability of having a representative of the Federal Reserve Agent participate in the next examination of the member bank, following which a further detailed report should be submitted to the Board.

Upon motion, the proposed letter was approved.

Governor Meyer reported that on October 5th he talked with Governor Black of the Federal Reserve Bank of Atlanta and communicated to him the

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attitude expressed by the Board at its meeting on September 30th with regard to eligibility for rediscount of bankers' acceptances drawn by Anderson, Clayton and Company and secured by warehouse receipts issued by a subsidiary of that company, and that he had requested Governor Black to discuss the matter with Anderson, Clayton and Company with great discretion.

The Governor also advised that Mr. Andreas Ueland, Counsel for the Federal Reserve Bank of Minneapolis, had called on him to inquire whether the action taken by the Board on October 1st with regard to the appeal to the Supreme Court of the case of Hirning, Receiver v. Federal Reserve Bank of Minneapolis was to be construed as an order or mandate to the Federal Reserve Bank. The Governor stated that he had advised Mr. Ueland that it should not be so construed.

Mr. Hamlin then referred to a report made to the Board that the Federal Reserve Bank of New York is holding approximately \$2,500,000 of gold in safekeeping for two New York City banks and requested that inquiry be made of the New York bank as to the nature of the deposit.

Upon motion, it was voted to authorize the Chief of the Division of Bank Operations to take the matter up with the New York bank in accordance with Mr. Hamlin's suggestion.

REPORTS OF STANDING COMMITTEES:

Dated, October 5th Recommending changes in stock at Federal Reserve banks
6th as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

The meeting adjourned at 12:15 p. m.

O. Peter Nouff
Secretary.

Approved: [Signature]
Governor.

(Executive Committee)

AUXILIARY MINUTES
(October 7, 1931)

Reports of Standing Committee dated October 5th and 6th, 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>		
Old-First National Bank and Trust Company, Fort Wayne, Indiana.	1,200	1,200
<u>District No. 8.</u>		
Bank of Eastern Arkansas, Forrest City, Ark.	30	
First National Bank, Carlyle, Ill.	2	
First National Bank, Dawson Springs, Ky.	1	
First National Bank, Russell Springs, Ky.	1	
St. Louis National Bank, St. Louis, Mo.	1	35
<u>District No. 9.</u>		
First National Bank, Princeton, Minn.	12	12
	Total	1,247

<u>Applications for SURRENDER of Stock:</u>		
<u>District No. 7.</u>		
Citizens National Bank, Delphi, Ind. (V.L.Suc. by Union State Bank of Delphi)	55	
First National Bank, Winamac, Ind. (V.L.Abs. by Union Bank and Trust Co.)	45	
First National Bank, Preston, Iowa. (V.L.Suc. by United Bank & Trust Co.)	18	
Foreman-State National Bank, Chicago, Ill. (V.L.Abs. by First National Bank of Chicago)	13,200	13,318
<u>District No. 9.</u>		
First National Bank, Kalispell, Mont. (Reduction in capital)	60	
Farmers National Bank, Fairfax, S. Dak. (Insolvent)	18	78
	Total	13,396

Chester Mouill
Secretary.

Approved: [Signature]
Governor.