

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, October 12, 1931, at 11:15 a. m.

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

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

The minutes of the meetings of the Federal Reserve Board held on September 30, October 1, 5, 8 and 9 were approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on October 2, 7 and 9 were approved and, upon motion, the actions recorded therein were ratified.

The following matters were considered and acted upon by the Board.

Telegram dated October 9 from the Chairman of the Federal Reserve Bank of Chicago, advising that at a meeting of the Executive Committee on that date, no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Telegram and letter dated October 7 from the Chairman of the Federal Reserve Bank of Philadelphia, advising that in order that the bank may be in a position to purchase bills at current rates, the Board of Directors on that date established a minimum buying rate of 1% on bankers' acceptances up to 90 days, no change being made in the other rates in effect at the bank.

Upon motion, it was voted to approve the minimum buying rate established by the Philadelphia directors, and their action in making no change in the other rates in effect at the bank was noted with approval.

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Letter dated October 9 from the Chairman of the Federal Reserve Bank of Boston confirming advice of the action of the Executive Committee of the bank in establishing a discount rate of $2\frac{1}{2}\%$ on all classes of paper of all maturities, effective October 10; the letter stating that this action was considered desirable owing to the increase in the discount rate of the Federal Reserve Bank of New York, and that, if the rate were not increased at the Boston bank, undue pressure might be brought on the district owing to its close proximity to New York.

Noted.

Telegram dated October 9 from Deputy Governor Kenzel of the Federal Reserve Bank of New York, advising that in order to avoid the possibility of too extreme advances in bill rates and to relieve dealers and banks on that date, the Federal Reserve bank purchased approximately \$100,000,000 of bills at $1\frac{1}{2}\%$ and that while the New York bank's effective buying rates must be very flexible until the market becomes settled, the following rates are considered as in effect:

Bankers' acceptances:

1 to 90 days	$1\frac{3}{4}\%$
91 to 120 days	2 %
121 to 180 days	$2\frac{1}{2}\%$
Repurchase	$1\frac{3}{4}\%$

Trade bills	$2\frac{1}{2}\%$
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Without objection, noted with approval.

Telegrams dated October 9 from the Governor of the Federal Reserve Bank of Boston and the Secretary of the Federal Reserve Bank of Atlanta, and letter dated October 10 from the Secretary of the Federal Reserve Bank of Cleveland, advising that effective October 9 their schedules of buying rates on bankers' acceptances were increased to agree with the schedule established at the Federal Reserve Bank of New York on that date, with the exception of

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a rate of 3% for the purchase of bankers' acceptances under resale agreement at the Cleveland bank; the Governor of the Federal Reserve Bank of Boston also advising of the establishment on October 9 of a rate of 2 1/2% on trade bills and for the purchase of Government securities under agreement to resell.

Without objection, noted with approval.

Letter dated October 7 from the Assistant Treasurer of the United States, advising that his office received no applications from national banks for the sale of bonds, under Section 18 of the Federal Reserve Act, during the quarter ended September 30.

Noted.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Atlanta, Minneapolis and Kansas City, 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.

Letter dated October 9 from the Chairman of the Federal Reserve Bank of Dallas, advising of the resignation on October 7 of Mr. B. A. McKinney as a member of the Federal Advisory Council from the Eleventh Federal Reserve District, and of the appointment on that date of Mr. J. H. Frost, President of the Frost National Bank, San Antonio, Texas, as a member of the Council for Mr. McKinney's unexpired term.

Noted.

Draft of telegram to the Federal Reserve Agent at the Federal Reserve Bank of Richmond, referring to his letter of October 10 and advising that

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the Board authorizes the Federal Reserve Bank of Richmond, in its discretion, for a period of six months, to rediscount for the South Carolina National Bank, Charleston, S. C., good and otherwise eligible paper acquired from or bearing the signature or endorsement of the South Carolina State Bank.

Upon motion, the telegram was approved.

Draft of telegram to the Assistant Federal Reserve Agent at Chicago, referring to his letter of October 7 and advising that the Board authorizes the Federal Reserve Bank of Chicago, in its discretion, for a period of six months, to rediscount for the Bankers Trust Company, Des Moines, Iowa, good and otherwise eligible paper acquired from or bearing the signature or endorsement of nonmember banks.

Upon motion, the telegram was approved.

Letter dated October 2 from the Governor of the Federal Reserve Bank of New York requesting approval of a salary of \$14,000 per annum for Mr. L. Werner Knoke, formerly an officer of the Irving Trust Company and experienced in foreign exchange and gold bullion transactions; the proposed salary having been approved informally by the Executive Committee on October 8, effective if and when Mr. Knoke assumes his duties with the bank.

Upon motion, the salary fixed by the Board of Directors of the New York bank for Mr. Knoke was formally approved.

Letter dated October 7 from the Chairman of the Federal Reserve Bank of Boston requesting approval of a retainer of \$2,400 per annum, fixed by the Board of Directors of the bank, for Mr. Phillips Ketchum, who has been appointed Counsel of the bank to succeed Mr. A. H. Weed, deceased.

Upon motion, it was voted to approve the retainer fixed by the Boston directors for Mr. Ketchum.

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Reply, prepared in accordance with action taken at the meeting on October 5, to letter dated September 19 from the Chairman of the Federal Reserve Bank of Kansas City transmitting copy of resolutions adopted by the Board of Directors of the bank providing for several measures designed to reduce operating expenses; the reply stating that the Board is cognizant of the conditions which influenced the directors of the bank in the action taken and appreciates their keen interest in the affairs of the bank under the conditions with which it is now confronted; that the proposal for a general downward revision of salaries presents a new question and one which the Board would like to have an opportunity to consider thoroughly in all its aspects before reaching a conclusion thereon; that the other proposals submitted involve broad questions of System policy which likewise require careful consideration from the standpoint of the System as a whole, not only on the basis of existing conditions, but from the point of view of the prospective trend of Federal Reserve bank earnings and in the light of the provisions of the Federal Reserve Act for the conservation of earnings when these exceed requirements for expenses and dividends; that the Board feels it would be desirable to discuss all of these questions at the next conference of Governors and Federal Reserve Agents; and that in the circumstances the Board hopes it will be agreeable to the directors of the Kansas City bank to permit them to remain in abeyance pending the further consideration which the Board considers necessary and advisable in the premises.

The reply having been approved informally by the Board on October 8, was, upon motion, formally approved.

Application of the Potters Bank and Trust Company, East Liverpool, Ohio, for membership in the System and for 528 shares of stock in the Federal Reserve Bank of Cleveland; the application having been approved on October 10

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by the Executive Committee, effective if and when the assets and liabilities of the Potters National Bank of East Liverpool are taken over by the applicant bank and its capital and surplus are fully paid in, subject to the special condition, in addition to those set out in Regulation H, that the bank shall dispose of or otherwise secure any loan which may be secured by its own stock.

Upon motion, the action of the Executive Committee was ratified.

Report of Executive Committee on letters dated October 8 and 9 from the Chairman of the Federal Reserve Bank of Richmond, advising of the appointment of Messrs. Hugh Leach, W. T. Clements and R. L. Cherry, respectively, as Managing Director of the Baltimore Branch, to succeed Mr. A. H. Dudley, resigned, as Managing Director of the Charlotte Branch to succeed Mr. Leach, and as Cashier at Charlotte to succeed Mr. Clements; also requesting approval by the Board of salaries of \$12,000, \$7,500 and \$4,000 per annum, fixed by the directors for Mr. Leach, Mr. Clements and Mr. Cherry, respectively.

Upon recommendation of the Executive Committee, the salaries fixed by the Richmond directors were approved.

Telegram dated October 9 from the Governor of the Federal Reserve Bank of New York giving further details with regard to the organization of the "National Credit Corporation."

The telegram, having been brought to the attention of the members of the Board individually, was noted.

Telegram dated October 7 from the Governor of the Federal Reserve Bank of New York, advising of the action taken by the directors of the bank in authorizing the officers, subject to the approval of the Federal Reserve

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Board, to arrange a credit to the Bank of Finland by agreeing, for not more than three months, to purchase not to exceed \$3,000,000 of eligible commercial bills endorsed or guaranteed by the Bank of Finland, it to be understood that no renewals of the credit would be granted and that the authority would be exercised only if the Bank of France agreed to participate in the credit for an equivalent amount and that the credit would, if necessary, be repaid in gold, for the exportation of which the Bank of Finland would obtain assurances from the Government. In this connection the Governor stated that subsequent to the receipt of the above mentioned telegram Governor Harrison advised him that the action of the New York directors was taken merely to authorize the officers to act should it be found desirable to do so before the next meeting of the Board of Directors of the bank; that consideration of the matter has been dropped by the New York bank, and that, accordingly, no action by the Federal Reserve Board is required.

Upon motion, the telegram was noted and ordered filed.

REPORTS OF STANDING COMMITTEES:

Dated, October 9 Recommending changes in stock at Federal Reserve banks,
12 as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

The meeting adjourned at 11:45 a. m.

Chester Maurice
Secretary.

Approved:

Augustus C. [Signature]
Governor.

AUXILIARY MINUTES
(October 12, 1931.)

Reports of Standing Committee dated October 9th and 12th, recommending changes in stock at Federal Reserve Banks, approved as follows:

<u>Application for ORIGINAL Stock:</u>	<u>Shares</u>	
<u>District No. 11.</u>		
National Bank of Fort Sam Houston at San Antonio, Tex.	69	69
 <u>Applications for SURRENDER of Stock:</u>		
<u>District No. 4.</u>		
Minerva Savings and Bank Co., Minerva, Ohio. (Insolvent)	105	
First State Bank, Newton Falls, Ohio. (Insolvent)	<u>114</u>	219
 <u>District No. 5.</u>		
National Bank of Leesville, Leesville, S. C. (V.L.Abs. by South Carolina State Bank, Charleston, S. C.)	36	
First National Bank, Sumter, S. C. (V.L.Abs. by South Carolina State Bank, Charleston, S. C.)	150	
First National Bank and Trust Co., Petersburg, Va. (Cons. of National Bank, and Virginia National Bank)	<u>510</u>	696
 <u>District No. 7.</u>		
National Bank of the Republic, Chicago, Ill. (V.L.Suc. by Central Republic Bank and Trust Co.)	7,920	
Farmers National Bank, Trafalgar, Ind. (Insolvent)	20	
Iowa National Bank, Ottumwa, Iowa. (V.L.Suc. by Union Bank and Trust Company of Ottumwa)	150	
First National Bank, Randolph, Iowa. (Insolvent)	<u>27</u>	8,117
 <u>District No. 9.</u>		
Farmers National Bank, Bridgewater, S. Dak. (Insolvent)	30	30
 <u>District No. 11.</u>		
First National Bank, El Paso, Texas. (Insolvent)	720	720
	<u>Total</u>	<u>9,782</u>

Rester Mouil
Secretary.

Approved:

[Signature]
Governor.