

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, October 22, 1931, at 11:10 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.

Reference was made to the discussion at the meeting yesterday, and it was suggested that should the Board now be inclined to approve the sale, if and when it becomes necessary or advisable to do so, of securities from the open market account up to \$120,000,000, as recommended by the Open Market Policy Conference at its meeting on August 11, Governor Meyer might communicate the feeling of the Board in the matter to the Executive Committee of the Conference at its meeting on Monday. During the discussion which followed, it was developed as the feeling of the members present that, if recommended by the Executive Committee of the Open Market Policy Conference, they would be inclined to approve the sale of securities from the open market account, or to allow maturities to run off, to the extent of \$120,000,000.

The following matters were then presented and acted upon by the Board:

Telegram dated October 21 from the Chairman of the Federal Reserve Bank of St. Louis, advising that his Board of Directors, on that date, voted to establish a rediscount rate of 3 1/2% on all classes of paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board; the rate established by the St. Louis directors having been approved informally by the Board yesterday, effective today.

Upon motion, the rate of 3 1/2% established at the St. Louis bank, effective today, was approved.

10/22/31

-2-

Telegram dated October 21 from the Chairman of the Federal Reserve Bank of Boston, advising that at the meeting of his Board of Directors 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 dated October 21 from the Chairman of the Federal Reserve Bank of St. Louis, advising of the establishment on that date of the schedule of buying rates on bankers' acceptances made effective at the Federal Reserve Bank of New York on October 16.

Without objection, noted with approval.

Draft of reply to letter dated October 13 from the Chairman of the Federal Reserve Bank of Philadelphia stating that it has been the practice of the bank to rediscount for member banks which have satisfactory eligible paper to offer, regardless of the fact that they may be considered as being in critical condition, and inquiring whether such a policy, in the opinion of the Board, is justly subject to criticism; the proposed reply calling attention to the provisions of Section 4 of the Federal Reserve Act, and stating that the Board feels that these provisions embody the general principles which should govern the Board of Directors of a Federal Reserve bank in determining its discounting policies, that the law places upon the directors and officers of each bank the responsibility for its operations and they must of necessity determine whether and to what extent they would be justified in discounting for a particular bank in the light of the provisions above referred to and all the surrounding circumstances, that while the Federal Reserve Board is vested with power to make rules and regulations with regard to certain matters and is charged with general supervision over the banks it feels that it cannot under-

10/22/31

-3-

take to substitute its judgment for that of the directors and officers of the bank in matters of this sort which involve the exercise of sound discretion in determining the conditions under which they can properly meet the demands made upon them by member banks, and that it seems to the Board that as a practical matter the course of action which should be followed in circumstances such as those referred to can be determined only upon careful consideration of the merits of each individual case as it arises, and that it is not feasible to lay down any rule for the guidance of the bank in such matters.

Upon motion, the proposed letter was approved.

Draft of reply, approved by the Executive Committee, to letter dated October 5 from the Assistant Federal Reserve Agent at Cleveland with regard to the action of the Union Trust Company of Greensburg, Pennsylvania, a member bank, in acquiring on September 24 certain assets and assuming certain liabilities of the Maddas Bank and Trust Company of Greensburg, a nonmember; the proposed reply stating that, in the absence of any classification of the assets of the nonmember bank, the Board is deferring action on the question whether the transaction involves a change in the character of the assets of the member bank or the scope of the functions exercised by it within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System, and requesting the Assistant Federal Reserve Agent, following the next examination, to submit a detailed report and recommendation in this connection, the report also to include advice as to the progress made by the member bank in the liquidation of the assets and payment of the liabilities taken over on October 19, 1929, from the Merchants and Farmers National Bank of Greensburg.

Upon motion, the proposed letter was approved and ordered transmitted.

10/22/31

The meeting adjourned at 11:45 a. m.

Robert Moriel

Secretary.

Approved:

Cyrenheys  
Governor.