

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, October 30, 1931, at 10:30 a. m.

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

ALSO PRESENT: Mr. Harrison, Assistant to the Governor.  
Mr. Goldenweiser, Director, Division of Research and Statistics.  
Mr. Wyatt, General Counsel.  
Mr. W. R. Burgess, Deputy Governor of the Federal Reserve Bank of New York.

Mr. Burgess advised the Board regarding his recent trip to Europe. A detailed, though not a verbatim, record of Mr. Burgess' statement will be found in the Board's files.

Following Mr. Burgess' report there ensued a general discussion of international economic and financial conditions, at the conclusion of which Messrs. Pole, Goldenweiser and Burgess left the meeting.

The minutes of the meeting of the Federal Reserve Board held on October 24 were then approved.

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

Letter dated October 29 from the Secretary of the Federal Reserve Bank of New York, advising that at the meeting of the 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.

Report of Committee on Salaries and Expenditures on a list submitted by the Federal Reserve Bank of Chicago of employees for whom the directors

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authorized leaves of absence with pay, on account of illness, during the period September 24 to October 22, 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.

Telegram dated October 28 from Deputy Governor Worthington of the Federal Reserve Bank of Kansas City requesting, because at present the reserve ratio of the bank is below 50 per cent, that the Board authorize the rediscount of approximately \$200,000 of paper being offered by the Federal Intermediate Credit Bank of Omaha; the request having been approved informally by the Board on October 28.

Formally approved.

Draft of letter to the Governor of the Federal Reserve Bank of Kansas City, approved by the Law Committee, stating that the limitation imposed by Regulation A upon the discount of paper for Federal intermediate credit banks relates to the time when the discount is actually made and that where the reserves of the Federal Reserve bank are at that time in excess of 50%, the fact that they subsequently fall below this amount does not affect the loan nor render necessary the permission of the Federal Reserve Board; the letter being in response to an inquiry regarding a rediscount for the Federal Intermediate Credit Bank of Wichita, in the amount of \$850,000, which was approved by the Executive Committee of the Kansas City Bank on October 14 when its combined reserve was 57 per cent and actually made on October 15 when the reserve was 54.3 per cent.

Upon motion, the proposed letter was approved.

Draft of circular letter to all Federal Reserve agents, outlining a

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revised procedure to be followed in the future in connection with the approval of applications of state banks for membership in the Federal Reserve System; the change having been made to eliminate an unnecessary exchange of telegrams between the Federal Reserve Board and the Federal Reserve agents.

Upon motion, the proposed letter was approved.

Draft of reply, approved by the Executive Committee, to letter dated October 21 from the Assistant Federal Reserve Agent at New York, advising of the purchase by the First Bank and Trust Company of Utica, New York, a member bank, in violation of one of the conditions under which it was admitted to membership in the Federal Reserve System, of 6,175 shares, in excess of 20 per cent, of the stock of the Utica Trust and Deposit Company, and to the Assistant Federal Reserve Agent's telegram of October 26 advising that on that date the First Bank and Trust Company assumed the deposit liabilities of the Utica Trust and Deposit Company; the proposed reply advising that in view of the merger the Board will take no action at this time with regard to the violation of the condition of membership referred to, but that it should be furnished with detailed information regarding the merger, as well as with regard to a contemplated merger of the First Bank and Trust Company and the Citizens Trust Company of Utica.

Upon motion, the proposed letter was approved.

Draft of reply, approved by the Executive Committee, to letter dated October 19 from the Assistant Federal Reserve Agent at Chicago submitting information with regard to the action of the State Bank of Cuba, Illinois, a member bank, on October 10, 1931, in assuming the deposit liabilities and acquiring for liquidation the assets, of the State Bank of St. David,



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Illinois; the proposed reply stating that in the absence of a classification of the assets taken over the Board will defer its consideration of the question whether the transaction has effected a change in the character of the assets of, or in the scope of the functions exercised by, the member bank, within the meaning of its conditions of membership in the Federal Reserve System, and requesting that a Federal Reserve examiner participate in the next examination of the member bank for the purpose of securing information on which the Board can base its action.

Upon motion, the proposed letter was approved.

Report of Executive Committee on a confirmatory application for permission to exercise trust powers, filed by the First National Bank and Trust Company of Petersburg, Virginia, formed on September 30, 1931, by the consolidation of the National Bank of Petersburg and the Virginia National Bank of Petersburg, to both of which institutions the Board had previously granted full trust powers; the Board's Committee recommending, in view of the fact that the applicant bank has not been examined since its organization, and the last reports of examination of the constituent banks show them to be in very unsatisfactory condition, with a number of criticisms of the trust department of each bank, that the Board defer action on the confirmatory application and advise the applicant bank that it is the view of the Board that, pending action on the application, no new trust business should be accepted by the bank, and that steps should promptly be taken to bring about a satisfactory adjustment, so far as it is possible to do so, of the matters criticized by the examiner.

Upon motion, a draft of a letter to the applicant bank, in accordance with the recommendation of the Board's Committee, was approved.

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Memorandum from Counsel dated October 23, with further reference to the misleading statement made in a published report of condition of an affiliate of the Liberty Bank of Buffalo, New York, a member bank, which was considered at the meeting of the Executive Committee of the Board on August 20; Counsel stating that while it now appears that the statement in question does not involve any violation of Federal law on the part of the member bank, the investigation of the matter has developed that the bank has made loans in a substantial amount to its affiliate while the latter was carrying a large investment in the stock of the bank, thereby using its funds indirectly for the purchase of its own stock contrary to the spirit and purpose of the law prohibiting a member bank to lend on or purchase its own stock. Counsel stated that this latter question, together with other criticized matters, has been taken up with the bank by the State Banking Department, and he submitted draft of a letter to the Assistant Federal Reserve Agent at New York, requesting him to advise the Board if, in his judgment, any action should be taken to supplement the efforts of the State Banking Department, and to keep the Board advised of any information received with regard to the situation at the bank.

Upon recommendation of the Law Committee, the proposed letter was approved.

Memorandum from Counsel dated October 8, with regard to letter dated September 26 from Deputy Governor McKay of the Federal Reserve Bank of Chicago, transmitting copies of a revised savings department ruling proposed by the Wisconsin Bankers' Association, and of a clause to be incorporated in a proposed certificate of deposit form, which would give the bank in which the deposit is made an option to require 30 days written

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notice of intention to withdraw, and the right to repay to the depositor an amount not exceeding 1/3 of the deposit at the time of the expiration of the 30-day period and the balance over a period not exceeding six months; Deputy Governor McKay inquiring whether deposits made under the proposed rule and certificate of deposit clause would comply with the requirements of the Board's Regulation D so that they could properly be classified as time deposits. With his memorandum Counsel submitted draft of reply to Mr. McKay's letter, advising that the provisions of the proposed ruling and certificate of deposit clause do comply with the requirements of the Board's Regulation with regard to notice of withdrawal, and if the deposits comply in all other respects with the definitions set forth in Regulation D, they may properly be classified as time deposits.

Upon motion, the proposed letter was approved.

Memorandum from Counsel dated October 13, submitting draft of reply to letter dated September 25 from the Federal Reserve Agent at Atlanta recommending that the Board waive the assessment of penalties for deficiencies in reserves in the case of the Third National Bank of Miami, Florida, which, while not technically in liquidation, has reduced its deposit liabilities to \$112,296.13 and has a deposit in that amount with the Florida National Bank and Trust Company, on which the latter institution is carrying reserves; the proposed reply stating that the Federal Reserve Board has been advised by the Comptroller of the Currency under date of October 19 that the national bank went into voluntary liquidation as of August 19, 1931, and suggesting that the agent obtain from the bank an application for the surrender and cancellation of its Federal Reserve bank stock, and that he advise the Board, when submitting this application, whether he or the Executive Committee of the



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Federal Reserve Bank of Atlanta has any further recommendation to make under the circumstances.

Upon recommendation of the Law Committee, the proposed letter was approved.

REPORTS OF STANDING COMMITTEES:

Dated, October 28 Recommending changes in stock at Federal Reserve Banks,  
30 as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.

The meeting adjourned at 12:00 noon.

Olester Mowles  
Secretary.

Approved:

Engelhardt  
Governor.

AUXILIARY MINUTES  
(October 30, 1931.)

Reports of Standing Committee dated October 28 and 30, recommending changes in stock at Federal Reserve banks, approved as follows:

<u>Application for ORIGINAL Stock:</u>		<u>Shares</u>	
<u>District No. 12.</u>			
First Inland National Bank of Pendleton, Oregon.		300	300
<u>Applications for SURRENDER of Stock:</u>			
<u>District No. 2.</u>			
First National Bank, Avon-by-the-Sea, N. J. (V.L.Suc. by First National Bank in Avon-by-the-Sea)		41	
Peoples National Bank, Salem, N. Y. (Insolvent)		72	113
<u>District No. 5.</u>			
First National Bank, Belington, W. Va. (Insolvent)		30	30
<u>District No. 7.</u>			
Union State Savings Bank & Trust Company, Kewanee, Ill. (Insolvent)		105	105
		<u>Total</u>	<u>248</u>

Walter Merrill  
Secretary.

Approved:

Ernest C. ...  
Governor.