

The Papers of Charles Hamlin (mss24661)

363_04_001-	Hamlin, Charles S., Scrap Book – Volume 202, FRBoard Members
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205.001 - Hamlin Charles S
Scrap Book - Volume 202
FRBoard Members

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CONFIDENTIAL (F.R.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 1, 1941

To The Files

Subject: _____

From Mr. Coe

MPC

After correspondence with Mrs. Hamlin (see letters of May 25 and June 4, 1941) the items attached hereto and listed below, because of their possible confidential character, were taken from Volume 202 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 202

Pages 11 & 12

Draft of memo on "Direct Pressure".

Page 26

Memo to Mr. Hamlin from Mr. Smead re Hedging by millers and cotton manufacturers.

Page 29

(X-6555) Conversion of Canadian Currency.

Page 31

(X-6556) Revision of Open Market Procedure.

Page 45

Letter to Board on establishment of Branch at Wichita.

Page 92

Letter to Governor Young from Governor Harrison re Bank for International Settlements.

Page 108

Request for Opinion of Attorney General re B. I. S. Statutes.

Pages 110 & 111; 112 & 113

Memoranda and correspondence re Bank for International Settlements.

Includes cablegram from Mr. McGarrah to Mr. Harrison in Paris, letter from Mr. Mills to Gov. Young, analysis of Mr. Mills' memorandum, etc.

Page 114

Memo re trust agreement between the signatory creditor Governments and Bank for International Settlements. - (Draft)

Pages 115; 116 & 117

Resolution re B. I. S. Statutes.

Page 119

Letter to Governor Young from Governor Harrison re Bank for International Settlements.

Page 156

Total Bills & Securities, by Classes, Members' Reserve Deposits, Monetary Gold Stock.

Direct Bureau

San R.

Bureau dated July 17, 28

In Am. Report

811

The year 1929 opened with brokers loans and security loans of member banks in record volume and total Reserve bank credit in larger volume than in any year since the post-war crisis. Collateral indications derived from the intense activity of the securities markets and the unprecedented rise of security prices gave unmistakable evidence of an absorption of the country's credit in speculative security operations to an alarming extent. There was nothing in the position of commercial credit to cause concern. The dangerous element in the whole credit situation was the continued growth of the volume of speculative security credit in the year 1928.

The measures taken by the Federal reserve banks in the year 1928 to firm money conditions by sales of open market investments and by successive increases of discount rates from 3-1/2 per cent at the opening of the year 1928 to 5 per cent in mid-year 1928 had not proved adequately effective. The second half of the year 1928 witnessed an aggravation of the conditions that had called forth the firm money policy of the Federal reserve banks in the first half of the year.

The credit situation confronting the Federal Reserve System at the opening of the year 1929 still stood in need of correction; the problem was to find suitable means by which the growing volume of speculative security credit could be brought under restraint without occasioning avoidable pressure on commercial credit.

With the System's portfolio of Government securities depleted by the sales made in the first half of the year 1928, the main or

...the intense activity of the securities market...
...the Board will continue to collect...
...of member banks in local loans and other business...
...the last year showed much promise for the securities market...

It is not for the Federal Reserve Board to estimate the
...the larger public consequences of its inter-
exclusive reliance in a further firming of money conditions must be
vention by "direct pressure" in the complex situation existing at
by marking up of discount rates and bill rates unless some other
the time the above statement was called for. It may be remarked,
expedient could be brought to bear in the situation.

Advances of buying rates on bills were approved by the
within four months of its application in a substantial conservation
Federal Reserve Board in the early part of the year 1929, which car-
of the credit resources of the banking system of the country, and
ried them above the prevailing 5 per cent discount rate. These ad-
particularly of the Federal Reserve banks, for the essential needs
vances resulted in a rapid and great reduction of the System's hold-
which arose later in the year. It may be remarked further that
ing of bills and sustained pressure on the banks through rediscount-
this experience with the application of "direct pressure" on a broad-
ing, and in a further firming of conditions in the open money market -
which demonstrated its practicability and effectiveness as a method
particularly the market for call loans.

The Board was not, however, disposed to regard favorably
as a method of Federal Reserve intervention in certain cir-
further increases of the discount rate as the appropriate method of
circumstances when applied with discretion. Its potentialities and
correcting the untoward features of the existing credit situation as
its availability in dealing with certain types of credit disorganiza-
it involved the Federal Reserve System. It set forth its views of
tion can no longer be seriously doubted.

how the Federal reserve banks should deal with the matter in a letter
to them under date of February 2nd, in which it stated that "A member
bank is not within its reasonable claims for rediscount facilities
at its Federal reserve bank when it borrows either for the purpose
of making speculative loans or for the purpose of maintaining specu-
lative loans." A further elaboration of its position was contained
in a statement issued to the public February 7th, reading as follows:

Quote: which in the immediate situation,
means to return etc.

reference to the present strained
condition of the general credit
situation,

It is not for the Federal Reserve Board to estimate the general expediency and the larger public consequences of its intervention by "direct pressure" in the complex situation existing at the time the above statement was called forth. It may be remarked, however, that the course of action adopted by the Board resulted within four months of its application in a substantial conservation of the credit resources of the banking ^{system} ~~sources~~ of the country, and particularly of the Federal reserve banks, for ~~the~~ essential needs which arose later in the year. It may be remarked further that this experience with the application of "direct pressure" ~~on a broad scale~~ demonstrated its practicability and effectiveness as a method of Reserve banking control when applied with firmness and its reasonableness ~~(as a method of Federal Reserve intervention in certain circumstances)~~ when applied with discretion. Its potentialities and its availability in dealing with certain types of credit ^{disorder} ~~disorganization~~ can no longer be seriously doubted.

The credit situation confronting the Federal Reserve System at the opening of the year 1928 still stood in need of correction; the problem was to find suitable means by which the growing volume of speculative security credit could be brought under restraint without occasioning avoidable pressure on commercial credit.

With the System's portfolio of Government securities depleted by the sales made in the first half of the year 1928, the main or

Direct Income.

Goldenweiser 199 Jan 1914 57

See A11

	in credit	debits	credit	in Sec	to Govt Rec.	See Loan	Cum. Loan	debits	total debits	total credits	Cum. in circulation
1. Jan 28 - Jan 29	+239	+503	+104	-364	-37	+785	+348	-24		251	-19
2. Feb. 28 - ^{Feb.} Jan 29	+245	+391	+42	-208	-12	+924	+82	-45		246	-33
3. ^{Direct action} Feb 9, 29 - Jan 8, 29	-193	+140	-300	-44	-68	-361	+444	-262	173		+29
4. Jan 8, 29 - Aug 10, 29	+62	+81	-24	+5	+31	+518	+189	-242	42		+65
5. Aug. 29 - Oct. 29	+41	-186	+234	-20	+10	-28	+253	-134	31		+53

In 2. in state of 246 gold exports, Sec. loan increased 924 million.

In 3. Direct action. In state of 173 gold imports security loan decreased 361 million.

3. Chained often last decline in Meredith - 193 - in 3 was caused by
⁻¹⁷³⁻
 gold imports & volume of money in circulation - +29 - . $173 - 29 = 144$.
 Accum however declined 300 which was then offset offset
 as gold imports & volume in circulation.

Office Correspondence

FEDERAL RESERVE
BOARD

Date April 2, 1930

See 124

To Mr. Hamlin

Subject: Hedging by millers and cotton

From Mr. Smead

manufacturers.

2-6495

In accordance with your request of yesterday I am giving you herewith illustrations of the use of hedging by flour mills and manufacturers of cotton goods.

A considerable interval must necessarily elapse between the time wheat is purchased by a flour mill and the grain is milled and the flour ready for market. Since the price of flour at any time is based largely upon the price of wheat at that particular time, the manufacturer protects himself against fluctuations in the price of wheat by the sale of an equal amount of wheat for future delivery. For example, if wheat is purchased in say January he may sell July wheat and cover his short sales by the purchase of July wheat from time to time as the flour is actually sold. If wheat should be selling at a substantially lower level at the time the mill sells its flour, the miller will be in a position to cover his short sales by purchasing July wheat at a reduced price, utilizing the profit thereby realized to make up the loss on his flour. On the other hand if, at the time of the sale of the flour, wheat is at a substantially higher level the miller will be obliged to cover his short sales at a loss but will offset such loss by the higher price which he will be able to realize on the sale of his flour. In other words a flour miller may protect himself against a loss occasioned by a decline in the market price of flour after he has purchased his wheat by means of short sales of wheat. In adopting this practice, however, the miller loses any opportunity he might otherwise have of making a profit by reason of an increase in the market price of flour between the time he purchases the wheat and the time the flour is marketed. The sale of futures, therefore, transfers the speculative risk from the miller to the wheat speculator.

In the case of cotton the situation is somewhat different, inasmuch as the manufacturers of cotton goods frequently sell their product considerably in advance of manufacture. Accordingly with a known price for the manufactured product the mills can only be protected against fluctuations in the price of cotton either by buying at once for actual delivery the cotton they will need or by buying cotton futures with a view to the subsequent sale thereof from time to time as cotton is actually purchased in the market. This practice is known as "buying hedging" and is employed when the product of the mill has been sold before the raw material to be used has been purchased. Selling hedging is employed, just as it is by flour millers, when the mill accumulates a stock of raw material for use in producing goods for sale at some subsequent date. In this case the short sales are covered by the purchase of corresponding futures as soon as orders for the goods are received.

En Bn

Q 29

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6555

March 31, 1930.

SUBJECT: Conversion of Canadian Currency.

Dear Sir:

Under date of November 7 the Board advised you that it had approved the report of the Committee on Canadian Currency, and enclosed with its letter, X-6413, a copy of the Committee's report, also a copy of the letter to be addressed to member banks and of the statement to be released to the press.

On November 15 the Board sent you a telegram modifying somewhat the press statement and the letter to be sent to member banks and on November 16 it advised you that it had voted to postpone the effective date of the plan for the conversion of Canadian currency into U. S. funds.

This matter has again been reviewed and the Board has decided to make the effective date of the plan Tuesday, April 15, 1930. The press statement will be released by the Board at 2 o'clock on that date and it will be appreciated if you will release the statement at the same time at your bank and, if you think advisable, at each of your branches, if any. You may find it advisable to amplify somewhat the letter to be sent to member banks but the Board would suggest that no changes be made in the statement to be given to the press.

Copies of the revised press statement and of the letter to be sent to member banks are attached hereto.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

VOLUME 202
PAGE 29

TO GOVERNORS OF ALL F. R. BANKS.

X-6555-a

, 1930.

SUBJECT: Canadian Currency.

To Member Bank Addressed:

Enclosed herewith is a statement which the Federal Reserve Board and the Federal reserve banks and branches have given to the press, relating to the conversion into U. S. funds of Canadian paper currency spent in this country.

In accordance with this statement, you may include Canadian paper currency in your shipments of United States currency provided the two kinds of currency are properly segregated within the package.

Credit for such currency will be given for its face value and when the cost of conversion into U. S. funds is determined it will be charged to your reserve account. As brought out in the accompanying press statement, the average cost during the past three years of converting Canadian paper currency into U. S. funds, including both exchange and shipping charges, has averaged less than 1 per cent.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release
Tuesday, April 15, 1930.

SUBJECT: Canadian Currency.

The Federal Reserve Board announces that a plan has been worked out and will be put in operation for handling Canadian currency deposited with Federal reserve banks, at a minimum of the actual collection charges incurred by them.

The discount on Canadian currency brought into the United States by travelers has frequently ranged as high as 10 and sometimes even as high as 20 per cent, at places remote from the border line. This is regarded as excessive and has given rise to some feeling in Canada, especially as United States currency is generally accepted at par in Canada.

The Federal Reserve Board has taken the subject up with the Federal reserve banks and they have agreed to offer their facilities to member banks for the collection and conversion of Canadian paper currency into United States currency at the current rates of exchange. The Federal reserve banks will absorb the cost of shipping Canadian paper currency from the member banks to their respective Federal reserve banks but will deduct an allowance to cover the actual exchange charges, and insurance and shipping charges, if any, from the Federal reserve banks to the points of conversion into United States currency. The average cost during the past three years of converting Canadian paper currency into U. S. funds, including both exchange and shipping charges, has averaged less than 1 per cent.

This method of handling Canadian currency by the Federal reserve banks, will it is hoped, result in substantial reductions in the cost of collecting this currency. The Board feels that if member banks cooperate in this matter by extending a similar service to their customers, Canadian tourists traveling in this country will find American merchants willing to accept Canadian currency at or near par.

FEDERAL RESERVE BOARD

X-6556

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

March 31, 1930. *B 31*

SUBJECT: Revision of Open Market Procedure.

Dear Sir:

Under date of January 23, 1930, a letter was addressed to each Federal reserve bank advising of adoption by the Board of a revision of the open market procedure made effective in April, 1923. This letter expressed the belief of the Board that the procedure adopted contained the essentials of a workable plan designed to give expression to the common interests of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. It requested that after each bank had had time to consider the plan its views thereon be forwarded to the Board.

On March 24th and 25th, a meeting was held for the consideration of open market policy attended by representatives of the twelve Federal reserve banks. At the conclusion of the regular business, a thorough discussion was had regarding open market procedure in the light of letters which had been received by the Board from the directors of eleven of the Federal reserve banks. Following this discussion the representatives of the Federal reserve banks, with the Governor of the Federal Reserve Board, were appointed a committee to prepare a further revision of the plan acceptable to them. This revision was then thoroughly discussed by the Board and the representatives of the Federal reserve banks, with the result that some further changes were made.

The revised procedure in its final form, copy of which is attached, was unanimously agreed to by the representatives of the Federal reserve banks. It has since been considered by the Federal Reserve Board and was adopted by the Board without change, to become effective when ratified by the boards of directors of the twelve Federal reserve banks. Please, therefore, submit the matter to the Board of Directors of your bank at its next meeting and advise the Board whether your directors accept participation in the Open Market Policy Conference under the plan as revised.

In the Board's letter of January 23, 1930, it was pointed out that certain working arrangements which might be necessary would best be determined by the conference itself when organized. In this connection, the representatives of the Federal reserve banks at the meeting on March 24th and 25th voted it to be the sense of those present at the meeting that the representative of the Federal Reserve Bank of New York on the Open Market Policy Conference should be elected chairman for one year;

that the Executive Committee, provided for in the procedure, should consist of the chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia and Chicago for one year; and that the conference adopt a principle of reasonable rotation in the membership of the Executive Committee after the first year.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

(Enclosure)

(Draft of open market procedure as revised at the meeting of the Federal Reserve Board with representatives of the Federal reserve banks on March 25, 1930, and adopted by the Federal Reserve Board.)

"(1) The Open Market Investment Committee, as at present constituted, is hereby discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, is set up in its place.

(2) The Open Market Policy Conference shall consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference shall meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference shall be to consider, develop and recommend policies and plans with regard to open market operations.

(5) The time, character and volume of purchases and sales shall be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, shall be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed policy shall be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) An Executive Committee of five shall be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal Reserve Bank participating in the Open Market Policy Conference shall be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank shall have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference shall respect its Conference obligations."

Wm. Hamilton

San Nn

B 45

FEDERAL RESERVE BRANCH BANK JOINT-COMMITTEE

REPRESENTING BANKS IN
COLORADO, OKLAHOMA, TEXAS AND KANSAS

WICHITA, KANSAS

Geo. H. Hamilton
Chairman

To the Federal Reserve Board:

This Joint Committee has received notice of your disapproval of its Petition to require the Federal Reserve Bank of Kansas City to establish a Branch at Wichita, Kansas. On September 14th and again on December 20, 1923, a similar Petition was denied for the reason, as we understand, that the Board had decided not to establish any more Branches.

After the denials in 1923 of a Branch at Wichita, this Board in February, 1927, established two Branch Banks, one at San Antonio, Texas, the other at Charlotte, N. C. The action as to San Antonio and Charlotte caused this Joint Committee to renew its Petition for a Branch at Wichita. This was done because the Committee assumed that its Petition would be considered on its merits and would be granted if as good a showing was made for Wichita as had been for Charlotte or San Antonio. At the close of the first Hearing on December 16, 1929, and since the second Hearing on January 20, 1930, the Committee has been assured by members of the Board that the showing made by this Committee was the best made by any group of Banks that had petitioned for a Branch. The 507 Banks situated in the 71 counties that authorized this Committee to present its Petition are disappointed, but not discouraged.

This territory in Southwest Kansas, Eastern Colorado, Northwestern Oklahoma, and the Panhandle of Texas constitutes a community whose banking business is principally conducted within such territory. This Committee, as part of its evidence, made a count of all transit items mailed out for collection by twenty representative Banks during fifteen days in December, 1929, on points within and without the territory represented by this Committee. The result showed that about seventy-five per cent (75%) of the items in amount and number were on banks in this territory and only about twenty-five per cent (25%) on points without this territory. A question was raised as to the reliability of this survey inasmuch as it did not include a large number of banks. To meet this criticism, another survey was made of one hundred other representative Banks in this territory for thirty days in January and February of this year. The result of that survey was not known until after our Petition was disapproved. The result, however, is now available and shows that the survey made last December was substantially correct. The survey of the one hundred other banks shows:

<u>Items on Points in Petitioning Territory</u>		<u>Out-of-Territory Items on points West of K. C. Mo.</u>		<u>Out-of-Territory Items on K. C. Mo. and points East of K. C. Mo.</u>	
<u>Per Cent of Amt.</u>	<u>Per Cent of Number</u>	<u>Per Cent of Amt.</u>	<u>Per Cent of Number</u>	<u>Per Cent of Amt.</u>	<u>Per Cent of Number</u>
70.4%	74.9%	16.1%	13.1%	13.5%	12.%

This last survey proves that the territory in which the 507 Banks are situated constitutes a community whose principal banking business is done within and not without that territory.

The Committee must have failed to present all the facts to the Board or the Petition would have been granted. The development and progress in the territory in which the 507 Banks are located is not temporary, but permanent. This territory produces more wheat than any other equal area in the United States. Kansas produces on an average more wheat than any other State. The wheat production of this territory equals that of Kansas. The flour mills in the Wichita trade territory together with the mills located in Wichita represent a milling capacity of 54,690 barrels of flour per day. A Federal Reserve Branch established in Wichita would, because of its location, render a much needed financial service to the farmers, grain dealers and millers of this very important agricultural area.

This Branch Bank is not asked to help build up Wichita, but because the 507 petitioning Banks can be better served by a Branch in that city rather than by the parent Bank. There is a community around each existing Branch that is better served by such Branch. If that were not so, such Branch would be discontinued. Wichita is the banking center of such a community. The Banks and the people that they serve are entitled to as good service as those who live in the territory surrounding existing Branch Banks. The Branch at Charlotte serves 65 counties; at Helena 56; at San Antonio 55; at Houston 40; at El Paso 37; at Spokane 28; a Branch at Wichita, if this Petition is granted, would serve 71 counties. A Branch Bank should not be located in a city because of its size or importance, but to serve the Banks in the surrounding territory. Under such a rule, is not Wichita and the 507 petitioning Banks as much entitled to a Branch as the Banks surrounding the existing Branches above referred to? This Committee recognizes an obligation imposed upon it by the 507 Banks and the business and agricultural interests that have so loyally supported it. This obligation will not be discharged until its Petition is finally granted. For that reason it is its purpose to continue its organization and renew its Petition at an opportune time in the future. It has an abiding confidence that when the entire situation is made plain to the Board, it will grant its Petition.

Respectfully submitted,

THE JOINT COMMITTEE

Representing 507 Banks in Southwestern Kansas, Eastern Colorado, Northwestern Oklahoma, and the Panhandle of Texas.

March 15, 1930.

COPY
FEDERAL RESERVE BANK

NEW YORK

April 17, 1930.

See 174
B92

Dear Governor Young:

Referring to my discussion yesterday with the Federal Reserve Board concerning a cable from Mr. McGarrah, dated April 11, a copy of which I left with the Board, our board of directors have today voted "subject to the approval of the Federal Reserve Board, to authorize the officers to open and maintain a banking account on our books for the Bank for International Settlements and to carry out operations in this market for the Bank for International Settlements along the same general lines and subject to the same terms and conditions as we do for foreign central banks having accounts with us." I shall very much appreciate your advising me whether the foregoing action of our directors meets with the approval of the Federal Reserve Board.

You will no doubt recall that the first three paragraphs of Mr. McGarrah's cable ask whether the Federal Reserve Bank of New York wishes to object to certain proposed acts of the Bank for International Settlements in this market, relating principally to the sale and voting of its stock. I understood from my conversation with the Board that the transactions referred to in these three paragraphs were not of a character concerning which the Board would care to have an opportunity formally to express its objection and that this bank should feel free, without further reference to the Federal Reserve Board, not to voice any dissent in our reply to these paragraphs of Mr. McGarrah's cable. I mention this now merely to be sure that there is no question concerning my understanding of our conversations yesterday.

In this connection our directors at their meeting today were of the opinion that there is no reason for this bank to express any dissent to the actions mentioned in these three paragraphs.

I am planning, as agreed with the Board, to go to Washington Monday further to discuss the procedure to be followed by this bank vis-a-vis the Federal Reserve Board, if and when we are given an opportunity to express our dissent to a reparation bond issue in this market and hope that in view of the discussion which I have today had with our directors, following my meeting with the Federal Reserve Board yesterday, we shall be able to agree upon some mutually satisfactory formula.

Faithfully yours,

(Signed) George L. Harrison,
Governor.

Honorable R. A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

C 108

Request for Opinion of Attorney General.

B. I. S. Statutes.

C.S.H. does not deem it necessary to ask an opinion, but if an opinion is asked for, in his opinion it should assume a form somewhat as follows:

1. Has the Federal Reserve Bank of New York authority to answer affirmatively or negatively any questions which have been, or may be, submitted to it by the B. I. S. under Section 20 of the B. I. S. Statutes with relation to the offering of securities in the United States, except after securing the consent or approval of the Federal Reserve Board under its power of regulation and general supervision of the Federal reserve banks?
2. Has the Federal Reserve Bank of New York, acting under authority of the Federal Reserve Board, or the Federal Reserve Board itself, any power under the Federal Reserve Act to pass upon by way of dissent or approval any issue of securities, domestic or foreign, as a condition precedent to their offering in the United States?

(COPY)

Paris, April 11, 1930

Federal Reserve Bank of New York

New York

FOR GEORGE HARRISON

First meeting of Board definitely set for April 22. Believe it would be helpful if before that date you could advise me formally whether:

1. ONE You have any objection to the selection of the First National Bank New York as the financial institution to exercise the voting rights applicable to the Bank for International Settlements shares placed in America, this selection to be effective for one year or until a successor is appointed.

2. TWO Whether under Article 20 you object to the private distribution in your market by the banking group headed by J. P. Morgan & Co. of 16000 B I S shares.

3. THREE Whether you have any objection to Bank for International Settlements instructing J. P. Morgan & Co. to employ in the American market the proceeds of the sale of shares which will amount to approximately \$2,000,000 about 75% of which in early maturing long term investments to be selected by them and delivered to you for our account the remainder to be paid in cash to you for our account.

4. FOUR Whether you are willing to accept the custody of these securities and to invest this cash in prime bills.

5. FIVE Whether you are agreeable to the Bank for International Settlements opening a general account with you on the usual central bank terms.

6. SIX If so, would this extend to your acting as agent and correspondent for the Bank for International Settlements under paragraph L of Article 22 status should occasion make it desirable or do you prefer that question of agency be deferred?

Mr. Hamilton
C O P Y

*Memorandum, Oct 12, 1929, H. 205
Statute, March 2, 1920, H. 235
Mills.*
THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

April 14, 1930. *P. 11*

My dear Roy:

I enclose herewith a memorandum which I have prepared on the question of operations to be undertaken by the Bank for International Settlements on the American market. It may serve to clarify the issues and to furnish a basis for agreement among all concerned.

Sincerely yours,

(Signed) Ogden L. Mills,
Undersecretary of the Treasury.

Hon. Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

Enclosure.

VOLUME 202
PAGE 111

C O P Y

The proposed operations of the Bank for International Settlements in the United States market may fall within the jurisdictions of (1) the State and Treasury Departments in so far as questions of international policy are concerned: (2) the New York Federal Reserve Bank as the Federal Reserve Bank located in the principal financial center of the country and as such designated in the statutes of the B.I.S. and in the so-called Deed of Trust as the agency to be consulted; and (3) the Federal Reserve Board by virtue of the general supervision and direction which it exercises over the credit policies of the Federal Reserve System.

The ultimate responsibility for making a decision on questions of important international or financial policies should be definitely fixed and, if possible, a conflict of authority should be avoided.

It seems to me that the questions likely to arise naturally fall into three main groups, and that the character of the questions indicates rather definitely which of the three agencies should assume the responsibility as a matter of principle for making final decisions in each case.

I.

The offering of reparation bonds in the United States market.

(a) Subsection (c) of Article XII of the Trust Agreement between the creditor governments and the Bank for International Settlements provides that no issue of an international character may be made in the market of any of the countries the government of which has signed the Trust Agreement without the approval of that government both as regards

the amount of the issue and as regards the conditions on which it shall be authorized. This is in addition to the provision requiring the B. I. S. to ascertain whether the central banks concerned have any objection.

If the governments of the other principal countries affected are to have the right to veto, the United States Government should likewise have such a right. Indeed, it already exists and is recognized by virtue of the practice of consultation with the Secretary of State on the part of bankers before foreign governments are permitted to offer their obligations in our market. Given the existing practice and the above mentioned provision in the Trust Agreement, the New York Bank might well take the position, and so inform the B.I.S., that it would not exercise its prerogative as provided for in the Deed of Trust and the statutes of the Bank in so far as it applies to reparation bonds without consultation with the United States Government. The question then arises as to whether the New York Bank should consult with the State or Treasury Departments and the Federal Reserve Board as well. The reference of this question to the New York Bank, to the Secretary of State, and to the Federal Reserve Board is altogether too complicated a procedure, particularly in view of the fact that if the Secretary of State and the Federal Reserve Board disagree, the decision of the Federal Reserve Board would probably be controlling in so far as the New York Bank is concerned and the Board is not in a position to give due weight

to the international policy involved. It can fairly be argued that the State Department is primarily responsible for the foreign policies of the country and in view of the existing practice should be the one to have the final decision. On the other hand, the Federal Reserve Board may contend that a bond issue is necessarily a credit operation, and this being so, that it should have the right to exercise jurisdiction over the decision of the New York Bank, on the ground that such a loan is bound to affect the credit situation in the United States.

Under these circumstances, might it not be well to have the New York Bank refer the matter to the Secretary of the Treasury, representing the Administration, who is also Chairman of the Federal Reserve Board? He could then advise the New York Bank, after consulting with the Secretary of State and with his colleagues on the Federal Reserve Board.

(b) Under exceptional circumstances it is conceivable that a short-term credit operation undertaken by the B. I. S. in the American market might be of equal importance to the United States from the standpoint of international policy as a reparation bond issue. I do not anticipate the likelihood of this question arising, but I think provision should be made that in the event it should arise it should be treated under the procedure above outlined applicable to reparation bonds.

As to both of these classes of cases I think the understanding could be covered by an exchange of letters between the Secretary of the Treasury and Chairman of the Federal Reserve Board and the Governor of the New York Federal Reserve Bank.

The other classes of questions which may arise do not appear to concern the State and Treasury Departments, but refer to the degree of supervision and control to be exercised by the Federal Reserve Board over the New York Federal Reserve Bank in its dealings with the B.I.S. In order to understand what questions are likely to arise, it is necessary to consider the nature of the operations to be undertaken by the B.I.S. The Bank may:

- (a) buy and sell gold coin or bullion for its own account or for the account of central banks;
- (b) hold gold for its own account under earmark in central banks;
- (c) accept the custody of gold for account of central banks;
- (d) make advances to or borrow from central banks against gold, bills of exchange and other short-term obligations of prime liquidity or other approved securities;
- (e) discount, rediscount, purchase or sell with or without its endorsement bills of exchange, cheques and other short-term obligations of prime liquidity, including Treasury Bills and such other Government short-term securities as are currently marketable;
- (f) buy and sell exchange for its own account or for the account of central banks;
- (g) buy and sell negotiable securities other than shares for its own account or for the account of central banks;
- (h) discount for central banks bills taken from their portfolio and rediscount with central banks bills taken from its own portfolio;
- (i) open and maintain current or deposit accounts with central banks;
- (j) accept:
 - (I) deposits from central banks on current or deposit account;
 - (II) deposits in connection with trustee agreements that may be made between the Bank and governments in connection with international settlements;
 - (III) such other deposits as in the opinion of the Board come within the scope of the Bank's functions.

The Bank may also:

- (k) act as agent or correspondent of any central bank;
- (l) arrange with any central bank for the latter to act as its agent or correspondent. If a central bank is unable or unwilling to act in this capacity, the Bank may make other arrangements, provided that the central bank concerned does not object.

- If in such circumstances it should be deemed advisable that the Bank should establish its own agency, the sanction of a two-thirds majority of the Board will be required;
- (m) enter into agreements to act as trustee or agent in connection with international settlements, provided that such agreements shall not encroach on the obligations of the Bank towards third parties; and carry out the various operations laid down therein.

In carrying out these functions in the American market the B.I.S. may act through the New York Federal Reserve Bank as its agent or correspondent, or through private bankers. Moreover, it appears that the B.I.S. may act as agent or correspondent of the New York Bank. Thus our second main problem may be subdivided into two classes:

The first covering the operations of the B.I.S. with the New York Federal Reserve Bank acting as its correspondent or agent; the second, covering operations of the B.I.S. through private bankers, but where the New York Bank is to be consulted as to whether it has any objections under the terms of the B.I.S. statute.

As to class one, I see no reason why the B.I.S. should not be treated as any other central bank of issue, or any other foreign correspondent, and, therefore, the New York Bank in its direct relationships with the B.I.S. should conform to existing practice and the terms of Section 14 of the Federal Reserve Act in so far as supervision and direction by the Federal Reserve Board are concerned.

If, in its direct relationships with the New York Federal Reserve Bank, the B.I.S. is in exactly the same position as any central bank of issue, this situation seems to be fully covered by existing law,

and I should think that the Federal Reserve Board would be satisfied to have the rules governing relationships with other central banks apply in this case.

The second class, namely, that covering operations undertaken through private bankers, but requiring the consent of the New York Bank, is obviously not covered by either law or practice. This is a new situation. The statute of the B.I.S., by definition, names the New York Bank as the institution whose consent must be obtained before any financial operation is carried out by or on behalf of the B. I. S. on the United States market or in United States currency. The New York Bank is under no legal obligation to consult the Federal Reserve Board before dissenting or before withholding a dissent. But inasmuch as the Federal Reserve Board represents the Federal Reserve System as a whole and is charged with the supervision of credit conditions in the country as a whole, and inasmuch as the operations of the B. I. S. might under certain circumstances affect credit conditions, it is clear that in some cases at least the New York Bank should not dissent or withhold dissent except with the approval of the Board. It seems equally clear that it should not be required to do so in the case of routine transactions, particularly when consultation with the New York Bank would largely be in the nature of a formality. For instance, in looking over the powers of the B.I.S. we find that it may buy or sell gold coin or bullion; may buy or sell bills. It does

not seem to me that the Federal Reserve Board should be given the right to veto transactions of this character any more than it would in the case, let us say, of the Bank of France or of the Bank of England, or for that matter, any other foreign institution that cares to invest its funds in the American market. And in so far as the purchase and sale of gold are concerned, clearly, as long as we have a free gold market, we cannot impose restrictions on the B. I. S. or any other institution or individual. Indeed, in so far as transactions of this character are concerned I assume that the assent of the New York Bank would be largely a formality. On the other hand, it is apparent that some of the operations that might be undertaken by the B. I. S. in our market might be in the nature of credit operations. In these cases the attitude of the New York Bank would be an important one, and I feel that the Federal Reserve Board should be consulted.

After considering in detail the various operations that might be undertaken by the B. I. S. in the American market, I have reached the conclusion that the principle to be applied in determining whether as to a particular operation the New York Bank may act independently, or whether its position should conform to the wishes of the Board, is whether the operation in question, by its nature, is a credit operation. If this test be applied to the various questions that can fairly be expected to arise, I think it will be found that it will furnish a satisfactory dividing line and that no difficulty will be experienced in adopting a working rule based on this principle.

B 111

-3-

To summarize, I believe (1) that proposed reparation bond issues, of short-term credit operations directly or indirectly governmental in character, should not receive clearance by the New York Federal Reserve Bank without the approval of the Secretary of the Treasury, the latter to consult the Secretary of State and his colleagues on the Federal Reserve Board; (2) that the New York Bank in its direct relationships with the B. I. S. as agent or correspondent should conform to existing law and established practice affecting its relationships with central banks of issue; and (3) that in so far as operations undertaken by the B. I. S. in the New York market are concerned, if those operations can fairly be described as credit operations, the New York Bank should not dissent or withhold dissent without the approval of the Federal Reserve Board.

April 16, 1930.

analysis
Stall Memorandum

P112

1. Trust agreement
All signatory Governments to approve every issue of an international character, *both as to amount and conditions*
2. United States not a signatory but should have same right.
3. Administration has long exercised similar rights as to foreign loans.
4. Federal Reserve Bank, New York, also given right to approve or reject under Statutes of B.I.S., *but absolutely not amount or conditions*
5. Federal Reserve Bank, New York, should not approve or disapprove without consultation with the Government.
6. Too complicated to consult with Secretary of State, Treasury, and Federal Reserve Board.
7. If Board disagreed, e.g. with State Department, Board would control by virtue of its general control over Federal Reserve Bank, New York.
8. Board not in position to give decisive weight on question of international policy involved.
9. State Department is primarily responsible for foreign policy, and, in view of its existing practice, should have final decision.
10. Federal Reserve Board, however, may feel that proposed loan might have serious effect on credit situation in United States.
11. Proposed procedure:
Federal Reserve Bank of New York to refer question to Secretary of Treasury.

Secretary of Treasury to decide after consulting, -
 (a) Secretary of State
 (b) Federal Reserve Board
12. Any short term credit operation involving international policy.
Treated same as 11 above.
13. Suggests exchange of letters to cover this.
14. Agency or correspondent relation.
Same as any other central bank. Federal Reserve Board to govern.

15. Only exception - routine transactions such as dealing in gold or bills, not involving credit operations.

P112

(C.S.H. suggests Board give general authority to Federal Reserve Bank of New York to act, just as it does now.)

assent in assent.
under B. I. S. Statute

1. Guaranty of subscribers to shares.
"see Y. N. Y."

B 113

No assent in dissent called for.
art 7. § 3.

2.

M. B. S. 7. 234

Central bank of U. S. entitled to
subscribe for additional shares

No assent in dissent called for
art 9.

M. B. S. 7. 234

3.

should central bank not desire to
acquire rights of voting or
management, they may be
exercised by a bin. institution
of same nationality, approved
by the B. I. S. Board and not
objected to by the Central Bank
of the country in question.

Harrison from appeal
to claim?

art 15.

M. B. S. 7. 235

4.

authority to central bank to
dissent within such reasonable
time as B. I. S. Board shall
specify.

art 20.

M. B. S. 7. 235

5.

central bank may accept subject to conditions,

may accept to a specific operation or enter into a general arrangement permitting B.I.S. to carry on its operations within such limits as to time, ~~terms~~ character, and amount as may be decided.

art 20

M. Buss. Z. 235

6

No accept required for which been market of bonds to introduction of which no objects have been ^{at time of orig. operation,} raised, in absence of stipulation to contrary.

art 20.

M. Buss. Z. 235

7.

B.I.S. may open and maintain currency or deposit accounts with central banks.

art 22 (i)

M. Buss. Z. 236

8

B.I.S. may act as agent or correspondent of any central bank

art 22 (k)

M. Buss. Z. 236

9. BIS may arrange with any central bank or the central bank to act as its agent or correspondent

Art. 22.

M. Bure. N. 236

10.

If central bank is unable or unwilling to act as agent or correspondent the BIS may make other arrangements, provided the central bank does not object.

Art 22 (2).

M. Bure. N. 236

11. any operation which BIS is authorized, under Art 22, - with central banks may be carried out with banks, bankers, corporations or individuals of any country, provided the central bank of that country does not object

Art 23.

M. Bure. N. 236

12. BIS may enter into special agreements with central banks to facilitate settlement of international transactions between them.

a) May have paid earmarked for

their account, and transferable in their order.

b) When accounts through which central banks can transfer their assets be not currency to another.

c) Take other measures deemed advisable within limits of its powers.

art 28.

McKinn. No. 236

13. Gov of central bank of U.S. shall be a director, ex officio, or may substitute another if unwilling or unable to hold office.

art 28. §1

McKinn. No. 237

14. Gov of central bank of U.S. to appoint one person representing business, industry, or commerce, and of same nationality

art 28 §2

McKinn. No. 237

15. Gov of central bank is unable or unwilling to serve as director, or to appoint a substitute ^{sub-}under clause 1, or to make an appointment under sub clause 2, the Governor of the other central banks or a majority may make two nationals of the country of

Have you seen
to this?

the currency in question, not objected to by the central bank of that country.

Art 28

M. R. N. 237

16. any dispute between the B. I. S. and any central bank, commercial ~~association~~ institution or other bank, referred to in present statutes, or between B. I. S. and its stockholders, with regard to the interpretation or application of the statutes of the B. I. S., shall be referred on final decision to the tribunal provided for by the Hague agreement of Jan. 1930

art 56

M. R. N. 241

17. [art 15 of said Hague agreement provides for an arbitral tribunal of five members.

The chairman is to be a citizen of U. S.

Two members from countries neutral during the war.

One member from Germany.

One member from a Power

which is a creditor of Germany.]

18. Definition of "central bank"

"The bank in any country to which have been entrusted the duty of

regulating the volume of currency and credit
in that country; or where a banking
system has been so constituted, the bank
forming part of such system which is
situated and operating in the
monetary financial market of
the country.

art 58.

McBee. N. 241

19. Director of Revenue.

"The person who, subject to the
control of his Board or other
constituent authority, has the
direction of the policy and
administration of the bank

art 58

McBee. N. 240

April 19, 1930.

See Act

3114

MEMORANDUM AND RESOLUTION.

*As to S. Trust agreement
and Statutes*

1. Article 12, Sub-section C of the trust agreement between the signatory creditor Governments and the Bank of International Settlements, provides that no issue of an international character may be made in the markets of any of the signatory Governments, unless the Bank of International Settlements considers, on examination, that conditions on these markets permit such an operation, after making sure that the central banks concerned have no objection.

No issue of an international character to be made in any of the signatory countries without the approval of that Government, both as regards the amount of the issue and as regards the conditions on which it shall be authorized.

Chapter 3, Article 20 of the Statutes governing the bank, provides as follows:

The operations of the bank shall be in conformity with the monetary policy of the central banks of the countries concerned.

Before any financial operation is carried out by or on behalf of the bank on a given market, or in a given currency, the Board shall afford to the central bank, or central banks, directly concerned, an opportunity to dissent. In the event of disapproval being expressed within such reasonable

such reasonable time as the Board shall specify, the proposed operation shall not take place. A central bank may make its concurrence subject to conditions, and may limit its assent to a specific operation, or enter into a general arrangement permitting the bank to carry on its operations within such limits as to time, character, and amount as may be specified. This Article shall not be read as requiring the assent of any central bank to the withdrawal from its market of funds, to the introduction of which no objection had been raised by it, in the absence of stipulations to the contrary by the central bank concerned at the time the original operation was carried out.

Article 58 of the Statutes provides as follows:

For the purposes of these statutes:

1. Central bank means the bank in any country to which has been intrusted the duty of regulating the volume of currency and credit in that country; or where a banking system has been so intrusted, the bank forming part of such system which is situated and operating in the principal financial market of that country.
 2. The governor of a central bank means the person who, subject to the control of his board or other competent authority, has the direction of the policy and administration of the bank.
 3. A two-thirds majority of the board means not less than two-thirds of the votes (whether given in person or by proxy) of the whole directorate.
-

April 21, 1930.

See 24

B115

RESOLUTION.

1. The Congress of the United States, in enacting the Federal Reserve Act, granted to the Federal Reserve System, whether acting through the Federal Reserve Board or through the individual Federal reserve banks, no specific power to determine the propriety of proposed offerings of either foreign or domestic securities in the markets of the United States as a condition precedent to such offerings, whether upon grounds of international policy or strictly domestic considerations.
2. Since the dissolution of the Capital Issues Committee, - on August 30, 1919, - the markets of the United States have, in fact, been open, at least so far as the Federal Reserve System is concerned, to offerings of all security issues, whether domestic or foreign.
3. The fact that the Statutes governing the B. I. S. provide, - Article 20,- that before any financial operation is carried out by, or in behalf of, the B. I. S. in a given market, or in a given currency, its Board shall afford to the central bank or central banks directly concerned an opportunity to approve, conditionally or otherwise such an operation, or to dissent therefrom within such reasonable time as the Board of the B. I. S. shall specify, still leaves undetermined the right of the Federal Reserve System to take any such action under the terms, express or implied, of the Federal Reserve Act as amended.
4. The Board deems it unnecessary at this time to consider the

question of power, for it is of opinion that, assuming it to have the power, the approval, conditionally or otherwise of such an operation might hamper the Federal Reserve System in its future credit policy.

5, NOW, THEREFORE, BE IT RESOLVED:

That the Federal Reserve Board hereby approves the proposed reply of the Federal Reserve Bank of New York to the B. I. S. as follows:

That while it will not avail itself of the opportunity afforded under said Statutes to express dissent to the proposed operation, it is on the express understanding that such failure to dissent shall not be construed as a determination or approval of the merits, amount, terms, or conditions of any such offering or offerings, nor shall it in any way affect the power of the Federal Reserve System under the Federal Reserve Act as amended, to take appropriate action at any time to protect and stabilize credit conditions in the United States.

3116
April 1, 1930. *San N.H.*

RESOLUTION.

WHEREAS, the Federal Reserve Bank of New York has consulted the Federal Reserve Board in the matter of the proposed offering or offerings by the B. I. S. of reparation bonds in the markets of the United States;

AND WHEREAS, Article 20 of the Statutes governing the B. I. S. provide that, before any final operation is carried out by, or in behalf of the B. I. S. in a given market, or in a given currency, its Board shall afford to the central bank or central banks directly concerned, an opportunity to approve, conditionally or otherwise, such operation, or to dissent therefrom within such reasonable time as the Board of the B. I. S. shall specify;

NOW, THEREFORE, BE IT RESOLVED:

That the Federal Reserve Board hereby approves the proposed reply of the Federal Reserve Bank of New York to the B. I. S. as follows:

That while it will not avail itself of the opportunity afforded under said Statutes to express dissent to the proposed operation, it is on the express understanding that such failure to dissent shall not be construed as a determination or approval of the merits, amount, terms, or conditions of any such offering or offerings, nor shall it in any way affect the power of the Federal Reserve System under the Federal Reserve Act as amended, to take appropriate action at any time to protect and stabilize credit conditions in the United States.

McGarrah

April, 30
asked by Mr
am 21, 30

Replying your cable April 11th.

One. F.R. Bank of N. Y. will be pleased to open an account for B. I. S. and to carry out operations for it along same general lines and subject to same terms and conditions as it does for foreign central banks having accounts with it.

Two. We shall forward letter defining these terms and conditions in detail but in meantime you are advised that they would include transactions referred to in your paragraph four, as well as accepting cash balance mentioned latter part your paragraph three.

Three. Regarding specific inquiries in first three paragraphs of your cable you are advised that inasmuch as the F.R. Bank of N.Y. is not in a position itself to accept any responsibility concerning the issue or voting of 16,000 shares of the B. I. S. in this market it can of course interpose no objection to the selection of some other institution or institutions in this country to exercise the voting rights on such shares, and the private issue of such shares and the investment of their proceeds in this market are transactions of a character concerning which the F.R. Bank of N.Y. can have no grounds upon which to express any dissent.

(S) Harrison.

* not construed then as meaning
no "authority" to dissent

3117

FEDERAL RESERVE BANK OF NEW YORK

April 17, 1930.

B119

Dear Governor Young:

Referring to my discussion yesterday with the Federal Reserve Board concerning a cable from Mr. McGarrah, dated April 11, a copy of which I left with the Board, our board of directors have today voted "subject to the approval of the Federal Reserve Board, to authorize the officers to open and maintain a banking account on our books for the Bank of International Settlements and to carry out operations in this market for the Bank for International Settlements along the same general lines and subject to the same terms and conditions as we do for foreign central banks having accounts with us." I shall very much appreciate your advising me whether the foregoing action of our directors meets with the approval of the Federal Reserve Board.

You will no doubt recall that the first three paragraphs of Mr. McGarrah's cable ask whether the Federal Reserve Bank of New York wishes to object to certain proposed acts of the Bank for International Settlements in this market, relating principally to the sale and voting of its stock. I understood from my conversation with the Board that the transactions referred to in these three paragraphs were not of a character concerning which the Board would care to have an opportunity formally to express its objection and that this bank should feel free, without further reference to the Federal Reserve Board, not to voice any dissent in our reply to

B119

these paragraphs of Mr. McGarrah's cable. I mention this now merely to be sure that there is no question concerning my understanding of our conversations yesterday.

In this connection our directors at their meeting today were of the opinion that there is no reason for this bank to express any dissent to the actions mentioned in these three paragraphs.

I am planning, as agreed with the Board, to go to Washington Monday further to discuss the procedure to be followed by this bank vis-a-vis the Federal Reserve Board, if and when we are given an opportunity to express our dissent to a reparation bond issue in this market and hope that in view of the discussion which I have today had with our directors, following my meeting with the Federal Reserve Board yesterday, we shall be able to agree upon some mutually satisfactory formula.

Faithfully yours,

(S) George L. Harrison,
Governor.

Hon. R. A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

See 12u

3156

TOTAL BILLS AND SECURITIES, BY CLASSES, MEMBERS RESERVE DEPOSITS, MONETARY GOLD STOCK,
AND AMOUNT OF MONEY IN CIRCULATION, OCTOBER 31, 1923 TO APRIL 30, 1930

(In millions of dollars)

	Oct. 31 1923	Oct. 31 1924	Oct. 31 1925	Oct. 31 1926	Oct. 31 1927	Oct. 31 1928	Oct. 31 1929	Apr. 30 1930
Bills discounted	884	264	616	690	412	932	1,000	233
Bills bought in open market	205	200	347	323	342	440	355	210
U. S. Government securities	92	584	327	301	522	227	321	530
Total bills and securities	1,181	1,052	1,296	1,316	1,276	1,603	1,701	982
Member bank-reserve account	1,895	2,138	2,214	2,223	2,324	2,371	2,666 *	2,385
Monetary gold stock	4,167	4,509	4,407	4,473	4,541	4,143	4,386	4,491
Money in circulation	4,925	4,942	4,969	5,021	4,946	4,807	4,838	4,477

INCREASE OR DECREASE

Bills discounted	-620	+352	+74	-278	+520	+68	-767
Bills bought in open market	- 5	+147	-24	+ 19	+ 98	-85	-145
U. S. Government securities	+492	-257	-26	+221	-295	+94	+209
Total bills and securities	-129	+244	+20	- 40	+327	+98	-719
Member bank-reserve account	+243	+ 76	+ 9	+101	+ 47	+295 *	-281
Monetary gold stock	+342	-102	+66	+ 68	-398	+243	+105
Money in circulation	+ 17	+ 27	+52	- 75	-139	+ 31	-361

*Reserve balances on October 31 were approximately \$300,000,000 above normal due to abnormal conditions in New York money market.

DIVISION OF BANK OPERATIONS
MAY 10, 1930

Office Correspondence

FEDERAL RESERVE
BOARD

Date April 4, 1930

To Mr. Hamlin

Subject: Recent speculative activity

From Mr. Smead

in New York

2-8405

BA

In response to your memorandum of April 3, we have prepared and are transmitting herewith four statements which it is hoped will serve your purpose in discussing the recent increase in speculative activity in New York. The statements are as follows:

1. Weekly figures from October 1929 to date of loans to brokers and dealers made by weekly reporting member banks in New York City -- for own account, for out-of-town banks and for others.

This statement also shows the net change from the high point of total brokers' loans on October 2 to the low point on December 24, and the net change since December 24.

2. A classification of loans and investments of all reporting member banks, of reporting member banks in New York City, and of reporting member banks outside New York City, as of October 2, 1929 -- the peak date of total brokers' loans, December 24, 1929 -- the low point of total brokers' loans, and at the end of January, February and March of 1930.

This statement also shows the net change between October 2 and December 24, and the net change that has taken place since December 24.

3. A daily index of stock prices (the Standard Statistics Company index covering 90 common stocks) from the beginning of October 1929 to date.
4. A statement showing the number of shares of stock sold on the New York Stock Exchange daily from the beginning of October 1929 to date.

LOANS TO BROKERS AND DEALERS MADE BY WEEKLY REPORTING MEMBER BANKS
IN NEW YORK CITY

(In millions of dollars)

Date	Total	For account of banks			For others
		Total	Own account	Out-of-town banks	
1929 - Oct. 2 (peak)	6,804	2,897	1,071	1,826	3,907
9	6,713	2,772	973	1,799	3,941
16	6,801	2,926	1,095	1,831	3,875
23	6,634	2,810	1,077	1,733	3,823
30	5,538	3,074	2,069	1,005	2,464
Nov. 6	4,882	2,483	1,520	963	2,399
13	4,172	1,968	1,156	812	2,204
20	3,587	1,557	853	704	2,031
27	3,450	1,469	831	638	1,982
Dec. 4	3,392	1,472	792	680	1,921
11	3,425	1,516	806	710	1,909
18	3,386	1,582	832	750	1,804
24 (low)	3,328	1,561	845	716	1,767
31	3,424	1,876	1,167	709	1,548
1930 - Jan. 8	3,352	1,710	886	824	1,642
15	3,365	1,730	853	877	1,636
22	3,341	1,688	814	874	1,653
29	3,345	1,698	823	875	1,648
Feb. 5	3,402	1,855	928	927	1,547
12	3,450	1,913	924	989	1,536
19	3,494	1,949	962	987	1,545
26	3,489	1,933	953	980	1,556
Mar. 5	3,583	2,038	1,006	1,032	1,545
12	3,720	2,225	1,146	1,079	1,494
19	3,841	2,437	1,266	1,171	1,404
26	3,820	2,542	1,424	1,118	1,278
Apr. 2	3,968	2,651	1,547	1,104	1,316
<u>Net change</u>					
Oct. 2 to Dec. 24 (low)	-3,476	-1,336	-226	-1,110	-2,140
Dec. 24 (low) to Apr. 2	+640	+1,090	+702	+388	-451

LOANS AND INVESTMENTS OF WEEKLY REPORTING MEMBER BANKS,
OCTOBER 1929 - MARCH 1930

(In millions of dollars)

(in millions of dollars)							
Date	Total loans and invest- ments	Loans on securities				All other loans	Invest- ments
		Total	To brokers and dealers		To others		
			In N.Y.Cy	Outside N.Y. Cy			

ALL REPORTING MEMBERS

1929 Oct. 2*	22,829	7,828	1,455	863	5,509	9,600	5,401
Dec. 24**	22,890	7,931	1,091	700	6,140	9,374	5,585
1930 Jan. 29	22,205	7,681	1,202	632	5,847	8,995	5,529
Feb. 26	22,003	7,641	1,409	583	5,649	8,786	5,575
Mar. 26	22,563	8,184	2,076	593	5,514	8,702	5,678
<u>Change</u>							
Oct. 2 to Dec. 24	+ 61	+103	-364	-163	+631	-226	+184
Dec. 24 to Mar. 26	-327	+253	+985	-107	-626	-672	+ 93

REPORTING MEMBERS IN NEW YORK CITY

1929 Oct. 2*	7,563	2,947	1,025	46	1,876	2,929	1,687
Dec. 24**	7,892	3,045	794	51	2,200	2,861	1,986
1930 Jan. 29	7,567	2,866	773	49	2,043	2,775	1,927
Feb. 26	7,412	2,890	906	47	1,937	2,609	1,914
Mar. 26	7,756	3,280	1,367	57	1,856	2,530	1,946
<u>Change</u>							
Oct. 2 to Dec. 24	+329	+ 98	-231	+ 5	+324	-68	+299
Dec. 24 to Mar. 26	-136	+235	+573	+ 6	-344	-331	- 40

REPORTING MEMBERS OUTSIDE NEW YORK CITY

1929 Oct. 2*	15,266	4,881	430	817	3,633	6,671	3,714
Dec. 24**	14,998	4,886	297	649	3,940	6,513	3,599
1930 Jan. 29	14,638	4,815	429	583	3,804	6,220	3,602
Feb. 26	14,591	4,751	503	536	3,712	6,177	3,661
Mar. 26	14,807	4,904	709	536	3,658	6,172	3,732
<u>Change</u>							
Oct. 2 to Dec. 24	-268	+ 5	-133	-168	+307	-158	-115
Dec. 24 to Mar. 26	-191	+ 18	+412	-112	-282	-341	+133

*High point date of total loans to brokers and dealers by reporting member banks in New York City

**Low point date of total loans to brokers and dealers by reporting member banks in New York City.

DIVISION OF BANK OPERATIONS

INDEX OF STOCK PRICES
STANDARD STATISTICS COMPANY DAILY INDEX OF 90 COMMON STOCKS

	1929			1930			
	October	November	December	January	February	March	April
1	238.1	-	-	-	182.1	186.2	201.5
2	239.8	-	166.4	168.2	-	-	199.4
3	229.9	-	171.9	168.6	180.6	185.5	199.8
4	227.5	182.1	175.1	170.6	182.7	186.9	202.8
5	238.1	-	173.7	-	185.1	185.5	
6	-	164.1	178.3	170.7	183.1	187.3	
7	241.7	170.1	180.5	169.2	182.4	187.3	
8	240.9	168.6	-	169.1	183.9	187.4	
9	240.4	-	177.9	171.7	-	-	
10	244.7 ^H	-	179.2	171.7	183.6	188.0	
11	244.3	158.0	177.7	170.3	185.2	188.4	
12	-	148.8	168.1	-	-	186.3	
13	-	140.3 ^L	172.3	170.9	185.5	187.4	
14	242.6	152.9	174.4	171.2	185.4	186.2	
15	240.6	161.3	-	171.9	183.7	185.2	
16	232.2	-	169.4	170.4	-	-	
17	236.0	-	171.2	169.2	184.7	188.0	
18	229.2	159.6	170.1	169.7	184.9	189.8	
19	222.6	164.4	165.6	-	183.2	190.8	
20	-	168.9	160.1	170.0	179.8	191.7	
21	220.4	171.6	163.2	171.6	182.0	192.8	
22	224.7	171.0	-	171.8	-	190.9	
23	211.3	-	160.9	173.4	-	-	
24	204.7	-	161.9	175.0	180.1	192.8	
25	207.5	169.0	-	176.5	180.2	192.6	
26	206.1	164.1	165.5	-	183.5	195.5	
27	-	166.1	160.1	176.4	183.3	195.1	
28	180.7	-	164.1	175.5	184.8	197.3	
29	162.2	-	-	177.5	-	198.7	
30	182.7	-	165.9	178.4	-	-	
31	192.2	-	170.3	181.0	-	199.6	

NUMBER OF SHARES OF STOCK SOLD ON NEW YORK STOCK EXCHANGE
(In thousands, i.e., 000's omitted)

	1929			1930			
	October	November	December	January	February	March	April
1	4,525	-	-	-	1,925	1,807	5,384
2	3,368	-	2,513	2,933	-	-	5,304
3	4,747	-	3,809	2,073	3,798	-	4,627
4	5,624	6,203	4,437	1,315	3,225	3,456	5,932
5	2,452	-	4,377	-	4,362	3,715	
6	-	5,915	4,715	2,172	3,709	3,350	
7	4,262	7,184	3,003	2,029	3,391	3,635	
8	3,758	3,215	-	1,639	1,925	1,691	
9	3,157	-	5,018	2,397	-	-	
10	4,000	-	3,647	2,386	3,166	3,994	
11	3,964	3,367	3,897	874	3,322	2,636	
12	-	6,453	4,505	-	-	4,470	
13	-	7,761	4,387	1,453	3,669	3,854	
14	2,756	5,569	1,654	-	3,514	3,951	
15	3,107	4,340	-	2,630	1,697	1,531	
16	4,088	-	2,592	3,044	-	-	
17	3,864	-	-	2,679	3,289	3,640	
18	3,508	2,747	2,285	1,331	3,795	4,241	
19	3,488	2,718	3,412	-	3,485	4,336	
20	-	2,829	5,546	1,693	3,661	4,263	
21	6,098	3,139	1,735	2,233	2,567	4,629	
22	4,130	2,929	-	2,306	-	-	
23	6,375	-	3,492	3,229	-	-	
24	12,895	-	1,996	3,481	2,320	4,126	
25	5,923	3,020	-	1,526	2,633	4,526	
26	2,088	2,634	2,577	-	-	5,029	
27	-	2,432	3,354	3,458	3,310	4,707	
28	9,213	-	1,635	2,913	3,210	5,065	
29	16,410	-	-	3,246	-	2,791	
30	10,727	-	4,160	3,646	-	-	
31	7,149	-	2,678	3,739	-	5,151	