

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, January 21, 1930 at 11:00 a.m.

PRESENT: Governor Young
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Pole
Mr. McClelland, Asst. Secretary

The minutes of the meetings of the Federal Reserve Board held on January 13th, 14th, 15th, 16th and 20th were read and approved.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on January 17th were read and, upon motion, the actions recorded therein were ratified.

Telegram dated January 15th from the Chairman of the Federal Reserve Bank of Boston, letter dated January 16th from the Secretary of the Federal Reserve Bank of New York, telegram dated January 15th from the Chairman of the Federal Reserve Bank of St. Louis and telegram dated January 16th from the Chairman of the Federal Reserve Bank of San Francisco, all advising that at meetings of their boards of directors on the dates stated no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Bond in the amount of \$100,000, executed under date of January 18, 1930 by Mr. George DeCamp, Federal Reserve Agent at the Federal Reserve Bank of Cleveland.

Approved.

Telegram dated January 16th from the Chairman of the Federal Reserve Bank at Chicago, advising of the reappointment of Mr. Julius Haass as director of the Detroit Branch of that bank for a term of three years, beginning January

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Noted.

Letter dated January 18th from the Secretary of the Federal Reserve Bank at Minneapolis, advising that Mr. W. O. Washburn of St. Paul, has been unanimously elected by the banks in Group #1 as a Class B Director of that bank, to fill the unexpired term of Mr. Paul N. Myers ending December 31, 1931.

Noted.

Report of Committee on Salaries and Expenditures on letter dated January 15th from the Secretary of the Federal Reserve Bank at Atlanta, advising that the board of directors of that bank at its meeting on January 10th voted, subject to the approval of the Board, to appropriate \$6,850 for welfare and educational work to the Federal Reserve Bank clubs at the parent bank and branches, for the year 1930; the Board's Committee recommending approval.

Approved.

Matter approved on initials on January 18th, namely, telegram from the Federal Reserve Agent at Cleveland, requesting authority to have a representative of the Department of Examination of that bank make the usual credit investigation of the City Savings Bank and Trust Company, Alliance, Ohio, without cost to the member bank, at the time that institution is under examination by State authorities.

Formally approved.

Report of Committee on Examinations on letter dated January 15th from the Federal Reserve Agent at Cleveland, requesting permission to have a representative of the Department of Examination of that bank make the usual credit investigation of the Provident Savings Bank and Trust Company of

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Cincinnati, Ohio, without cost to the member bank at the time that institution is under examination by the State authorities; the Board's Committee recommending approval.

Approved.

Letter dated January 15th from the Chairman of the Federal Reserve Bank of Boston, advising of the election of Mr. Herbert K. Hallett as member of the Federal Advisory Council from the First District for the year 1930, or until his successor is appointed and qualified.

Noted.

Mr. James, Chairman of the Committee on Salaries and Expenditures, then presented letters dated January 15th from the Chairman of the Federal Reserve Banks of Boston and Philadelphia, advising that the boards of directors of those banks have voted to fix allowances for their members of the Federal Advisory Council, in lieu of all other compensation and allowances, of \$1,000 for the year 1930 and \$100 a meeting, respectively. Mr. James stated that the Committee finds itself embarrassed in approving the proposed allowances because of the differences at various banks, stating that \$250 a meeting has been approved for the St. Louis Council member and \$750 for the San Francisco member. He stated that Committee would like to have some ruling set up for its guidance and asked that the Federal Advisory Council itself be requested to give the matter consideration and advise the Board what, in its judgment, would be a reasonable way in which to determine the allowances for its members.

Other members of the Board present questioned the desirability of taking the matter up with the Federal Advisory Council or, as later suggested by Mr. James, with the Federal Reserve banks and after some discussion action on the allowances fixed by the Boston and Philadelphia directors was deferred.

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Report of Executive Committee on letter dated January 16th from the Chairman of the Federal Reserve Bank of Cleveland, requesting approval by the Board of an application of the Union Trust Company of Cleveland for permission to accept drafts drawn upon it by banks and bankers in Colombia, South America, for the purpose of creating dollar exchange; the Committee recommending that approval be given to acceptance by the Union Trust Company of drafts drawn upon it by banks and bankers in all of the countries heretofore designated by the Board.

Upon motion, the recommendation of the Executive Committee was approved.

Letter dated January 15th from the Assistant Federal Reserve Agent at New York, advising of negotiations under way for the merger of the Hayes Circle National Bank and Trust Company, Newark, N. J. into the Federal Trust Company of Newark, a member bank.

Noted.

Memorandum dated January 17th from the Chief of the Division of Bank Operations, transmitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of December and during the year 1929.

Ordered circulated.

The Assistant Secretary then reported arrangements which had been made and approved by all Federal Reserve Agents for the destruction of stocks of old size Federal Reserve notes held at the Bureau of Engraving and Printing, in denominations up to and including \$100 which are no longer being paid out by the Federal Reserve banks. He stated that with the approval of the Governor, Mr.

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George E. Good of his office has been designated as the Board's representative on the Committee which will witness the destruction of the notes.

Noted, with approval.

Memorandum from Counsel dated January 16th, advising that Mr. H. S. Badet, who has previously been authorized by the Board to serve at the same time as director of the Citizens National Bank and the Citizens Trust and Savings Bank, both of South Bend, Indiana, desires permission to serve also as officer of the Citizens National Bank; Counsel stating that there is no necessity for a formal application in this case and suggesting that the Board approve Mr. Badet's request in accordance with a recommendation of the Federal Reserve Agent at Chicago.

Upon motion, service by Mr. Badet as officer and director of the Citizens National Bank and as director of the Citizens Trust and Savings Bank, both of South Bend, Indiana, was approved.

Draft of letter, prepared by Counsel, to the Acting Comptroller of the Currency, in reply to an inquiry whether certain deposits of the First National Bank of Idaho, Boise, Idaho, are to be regarded as savings or as demand deposits; the proposed letter stating that the information submitted is not sufficient to determine whether the deposits in question comply with all of the requirements of the Board's Regulation D defining savings deposits but that they may be so classified only in the event that the pass-book, certificate or other similar form of receipt is required to be presented to the bank whenever a withdrawal is made, and the bank's printed regulations, accepted by the depositor when the account is opened, include the requirements provided in Regulation D as to presentation of pass-book and notice of withdrawal.

Upon motion, the letter prepared by Counsel was approved.

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Memorandum from Counsel dated January 17th, submitting draft of reply to letter dated January 1st from the Cashier of the Citizens National Bank and Trust Company, Piqua, Ohio, inquiring whether a receipt issued by a Federal Reserve bank for certificates of indebtedness, Treasury notes or Federal Farm Loan bonds held in safe keeping is eligible as collateral security for trust funds used by the bank in the conduct of its business; the proposed reply answering in the affirmative, based on a ruling of the Board in 1919 that a receipt covering United States Liberty bonds issued by a Federal Reserve bank and payable on demand without conditions to the trust department of a National bank, set aside in the trust department of that bank, is sufficient to comply with the provisions of Section 11 (k) of the Federal Reserve Act, with regard to collateral security for trust funds used by a National bank in the conduct of its business, provided that the market value of the bonds equals at least the amount of the funds deposited by the trust department in the commercial department.

After discussion, upon motion, the letter prepared by Counsel was approved.

Memoranda from Counsel dated January 3rd, 13th and 15th regarding a letter dated December 31st from the Comptroller of the Currency, enclosing copy of an opinion of the Attorney General and answering specifically certain questions raised by the Federal Reserve Agent at Chicago in a letter addressed to the Board under date of May 16, 1929, with reference to the number of branches which may be retained or established by a National bank, resulting from the consolidation of a National bank with a State bank having branches; Counsel submitting, with his memorandum of January 3rd, draft of a letter to the Federal Reserve Agent at Chicago, transmitting for his information the letter of the

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Acting Comptroller of the Currency and the opinion of the Attorney General. He also submitted a proposed letter to the Acting Comptroller inquiring whether he sees any objection to furnishing copies of the opinion to all Federal Reserve Agents and the Governors of all Federal Reserve banks and publishing it in the Federal Reserve Bulletin for the information of all member banks.

After discussion, upon motion, the letters submitted by Counsel were approved.

Memorandum from Counsel dated January 17th, with regard to an inquiry made some time ago by the Federal Reserve Agent at Chicago whether a recent statute of the State of Iowa with reference to the regulation of the sale of securities in that State, could properly be applied to National banks; Counsel submitting draft of a letter to the Federal Reserve Agent at Chicago transmitting a detailed opinion received from the office of the Comptroller of the Currency, supplementing an opinion rendered in August 1929, that in view of the provisions of Section 5136 of the Revised Statutes, as amended, authorizing National banks to buy and sell investment securities, subject to regulations of the Comptroller of the Currency, a State statute which attempts to regulate the sale of securities by National banks is in conflict with the Federal law and is invalid.

After discussion, upon motion, the letter to the Federal Reserve Agent at Chicago, transmitting the Comptroller's opinion, was approved.

The Assistant Secretary then submitted a tabulation of business indexes prepared for the information of the President and the Cabinet by the Interdepartmental Statistical Committee, of which Dr. Goldenweiser and Mr. Smead are members. He stated that copies have been furnished to the individual members of the Board for their information.

Noted.

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Letter dated January 15th from the Deputy Governor of the Federal Reserve Bank of New York, regarding Open Market operations and conditions in the Government securities and bill markets during the week ending on that date; the letter stating that no change took place in the Open Market Investment Account which remains at \$277,500,000 or in the outright holdings of the New York bank. that the bank's holdings under repurchase agreement decreased \$5,885,000 during the week, and that operations in the bill market resulted in a net increase of about \$5,000,000, increases of about \$10,000,000 in bills owned outright and \$6,000,000 in sales contracts being offset by a reduction of \$11,700,000 in Foreign Suspense Account.

Noted.

Letter dated January 16th from the Deputy Governor of the Federal Reserve Bank of New York, advising of the action of the board of directors of that bank in voting, subject to the approval of the Board, to authorize the officers to open an account for the Bank of Latvia, to establish a relationship with that bank along the same general lines as arrangements with other foreign central banks and to appoint the said bank as agent and correspondent.

Upon motion, the action of the New York directors was approved, with the understanding that the Board will be advised of the details of the relationship entered into.

At 1:00 p.m. the meeting recessed and reconvened at 3:00 p.m.

Mr. Miller submitted draft of a letter to the Chairmen of all Federal Reserve banks, setting forth the revision of open market investment procedure adopted by the Board at its meeting on January 16th and requesting an expression of views regarding it.

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After some discussion, during which no action on the proposed letter was taken, the Governor was authorized to transmit the following telegram to all Federal Reserve banks:

"Open Market Investment Committee has been enlarged to include all banks. Letter outlining new procedure will follow shortly. Board, however, has called meeting of Committee for Tuesday, January 28th, and hopes all banks will be represented."

At the conclusion of the discussion, the Governor presented a letter dated January 20th from the Federal Reserve Agent at Chicago, advising that if the Board has no objection he would like to arrange a West Indian trip, leaving New York on February 11th, which involves an absence from the bank of approximately a month.

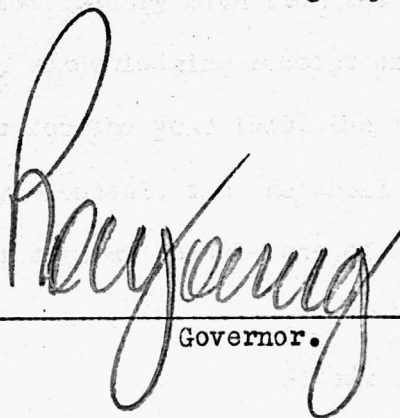
Noted, without objection.

REPORTS OF STANDING COMMITTEES:

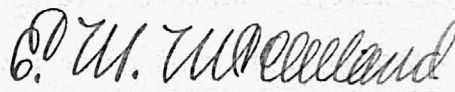
- Dated, January 17th, 20th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, January 20th, Recommending approval of the application of Mr. J. Harold Drake for permission to serve at the same time as director of the Newton National Bank of Newton, Mass., and as director of the National Rockland Bank of Boston, Mass.
Approved.

The meeting adjourned at 4:00 p.m.

Approved:



Governor.



Assistant Secretary.