

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, February 18, 1930 at 2:35 p.m.

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

Letter dated February 13th from the Federal Reserve Agent at Dallas, advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 45 days	-	3 3/4%
46 to 120 days	-	3 7/8%
121 to 180 days	-	4 1/4%
Repurchase	-	3 7/8%

Without objection, noted with approval.

Matter approved on initials on February 17th, namely, application of the Red River National Bank in Clarksville, Clarksville, Texas for original stock (75 shares) in the Federal Reserve Bank of Dallas, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Matter approved on initials on February 17th, namely, letter dated February 17th from the Comptroller of the Currency, recommending approval of a salary of \$4,000 per annum for National Bank Examiner W. A. Sandlin, assigned to the Eleventh Federal Reserve District.

Formally approved.

Report of Committee on Salaries and Expenditures on letter dated February 14th from the Chairman of the Federal Reserve Bank of Atlanta, requesting approval of an increase from \$3,600 to \$3,720 per annum, effective January 1, 1930,

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in the salary of Mr. F. C. Vasterling, Assistant Cashier at the New Orleans Branch, which was overlooked by the Salary Committee of the Bank at the time it made its recommendations for the salaries of other officers during 1930; the Board's Committee recommending approval.

Approved.

Letter dated February 14th from the Chairman of the Federal Reserve Bank of Atlanta, advising that the board of directors at a meeting on that date voted to fix the salary of Mr. E. R. Black, Governor, at \$25,000 for the year 1930.

Approved.

Letter dated February 15th from the Chairman of the Federal Reserve Bank of Kansas City, advising that the board of directors at its last meeting voted, subject to approval of the Board, to extend for a period of sixty days from February 20th the leave of absence with pay which has been granted the Governor of the bank.

Upon motion, the salary payment involved was approved.

Telegram dated February 18th from the Governor of the Federal Reserve Bank of Chicago, confirming previous telephone advice of the sudden death this morning of Mr. A. H. Vogel, Class B Director of the bank.

Noted, with regret.

Letter dated February 14th from the Chairman of the Federal Reserve Bank of Atlanta, advising of the election of Mr. J. D. O'Keefe, President of the Whitney National Bank, New Orleans, La. as director of the New Orleans Branch for the unexpired portion of the term of Mr. J. E. Bouden, Jr., deceased, ending January 31, 1930.

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Noted.

Matter approved on initials on February 15th, namely, telegram dated February 14th from the Federal Reserve Agent at San Francisco, advising that subject to the Board's approval he has extended the leave of absence granted to Examiner H. A. Sonne until March 1, 1930.

Formally approved.

Report of Committee on Examinations on memorandum dated February 14th from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Jewell City, Kansas, for permission to reduce its capital stock from \$50,000 to \$25,000; the Board's Committee also recommending approval.

Approved.

Matter approved on initials on February 17th, namely, telegram dated February 15th from the Chairman of the Federal Reserve Bank of Atlanta, advising that there is now current upon the Island of Cuba a large volume of counterfeit \$100 Federal Reserve notes, by reason of which the banks in Havana are finding it most difficult to circulate any \$100 Federal Reserve notes of the old size, and that at the request of such banks the Executive Committee of the Federal Reserve bank has voted to waive at the Havana Agency for a period of sixty days the usual commission of \$1 per thousand on the exchange of old size Federal Reserve notes of the \$100 denomination for new size \$100 Federal Reserve notes.

Upon motion, the action of the Executive Committee of the Atlanta bank was formally approved.

Matter approved on initials on February 17th, namely, telegram to the Governors of all Federal Reserve banks, except San Francisco, advising of

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approval by both the Board and the Treasury Department of a suggestion that the several Federal Reserve banks advise all commercial banks in their respective Districts that new series currency is available in all kinds and denominations, with a request that the banks cooperate in forwarding for replacement any old size currency that may now be in their possession; the telegram stating that both the form and date of the notice to the banks is left to the discretion of the individual Federal Reserve banks, the Treasury suggesting, however, that special mention might be made of National bank notes. With this telegram was also a letter to the Governor of the Federal Reserve Bank of San Francisco, which had previously expressed the opinion that no action should be taken in the Twelfth Federal Reserve District for sixty or ninety days, advising that as the date of the notice is made discretionary his bank can allow whatever period it feels should elapse before anything is done in the District.

Upon motion, the circular telegram and letter to the San Francisco bank were formally approved.

Memorandum from Counsel dated February 17th, submitting draft of a letter to the Librarian of the Federal Reserve Bank of Philadelphia, transmitting copy of the digest of state laws relating to the ownership of bank stocks by holding corporations, compiled in Counsel's office some time ago. In his memorandum, Counsel pointed out that although the Board did not approve publication of the digest, copies were furnished to the Governors and Chairmen of all Federal Reserve banks and there would seem to be no objection to furnishing it to the library of the Philadelphia Bank.

Upon motion, the letter transmitting the digest was approved.

Memoranda from Counsel dated February 8th and 13th, submitting, in ac-

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cordance with the action of the Board at the meeting on February 6th, drafts of letters to the Chairmen of the Banking and Currency Committees of the Senate and House of Representatives, recommending an amendment to Section 4 of the Federal Reserve Act to permit an officer, director or employee of a mutual savings bank to serve as a Class B Director of a Federal Reserve bank.

Upon motion, the letters were approved and ordered transmitted.

Memorandum from Counsel dated February 15th, regarding an inquiry made by the Nevada National Bank of Nevada, Iowa, for advice as to the steps necessary in order that the bank may secure permission to exercise trust powers; Counsel pointing out that the capital of the National bank is \$40,000 and its surplus \$7,000 less than the 20% of capital usually required by the Board of a National bank granted trust powers and also required by the Iowa State Banking Department for the organization of a State bank.

Upon motion, it was voted to follow the Board's usual policy of requiring a surplus equal to 20% of capital and Counsel was directed to prepare a reply to the inquiry of the Nevada National Bank on that basis.

The Assistant Secretary then reported advice received from the Secretary of the Federal Advisory Council this morning of the reelection of Mr. Frank O. Wetmore as President and Mr. B. A. McKinney as Vice President of the Council, and that they will continue to serve as ex officio members of the Executive Committee of the Council, along with Messrs. William C. Potter, L. L. Rue, Harris Creech and Walter W. Smith. He also reported that Mr. Walter Lichtenstein was appointed Secretary of the Council for the year 1930.

Noted.

He then presented for the record the following recommendation which the Council submitted during its joint meeting with the Board this morning:

RECOMMENDATION: The Federal Advisory Council having been requested by the Federal Reserve Board to give consideration to H. R. 7966 begs to report that it is opposed to most of the provisions of this bill.

1. The Council sees no value in giving the Comptroller of the Currency authority to examine Federal Reserve banks. It believes that this authority should continue to reside in the Federal Reserve Board, as provided for in the Federal Reserve Act. The Board has a staff specially trained to perform this function and it has been able thereby to harmonize the operations of the Federal Reserve banks under its supervision.
2. The Council believes there is decided objection to the examination of state banks and trust companies by the Comptroller of the Currency. The result of such activity would be an unnecessary multiplicity of examinations and probable resentment on the part of state banking departments. The present system of examinations by state officials, supplemented when necessary by an examination by the Federal Reserve authorities has resulted in satisfactory cooperation between the state and Federal Reserve examiners.
3. The suggestion that the expenses of the examination shall be borne by the Federal Reserve banks would, if carried out, result in one more compelling reason for more active participation on the part of the Federal Reserve banks in the money market for the purpose of increasing their earnings to meet the burden of this additional expense.
4. The Council deems it unnecessary to provide for a special examination of the condition of any Federal Reserve bank, and, in any event, would consider it desirable to have an application to do so supported by more than ten member banks.
5. In the opinion of the Council the officers and Board of Directors of the several Federal Reserve banks by reason of their intimate contact with member banks are better qualified to judge the desirability of a given bank acting in a fiduciary capacity than is the Comptroller of the Currency. Consequently it can find no merit in the proposal to transfer from the Federal Reserve Board to the Comptroller of the Currency the power to grant permission to a national bank to act in a fiduciary capacity.
6. The Council objects to the proposed division of earnings of the Federal Reserve banks since this would be discriminating unfairly in favor of one class of member banks. In this connection, the Council calls attention to its approval at its last meeting of S. R. 5723 with a suggested amendment.
7. The Council does view with sympathy the purpose of the proposed bill in authorizing examinations of corporations affiliated with member banks. But the Council believes this is part of a larger problem connected with the development of chain or group banking. It believes that before legislative action is decided upon it would be well if the Federal Reserve Board undertook to study this question and related topics as recommended by the Council at its last meeting.

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Letter dated February 13th from the Deputy Governor of the Federal Reserve Bank of New York, commenting upon conditions in the Government securities and bill markets during the preceding week, and advising that there was no change in the amount of securities held in the Open Market Investment Account or in the outright holdings of the New York bank; that the securities held by the bank under repurchase agreement amounted on that date to \$1,550,000 as against \$1,140,000 the week before and that the net change in System holdings of bills during the week is reflected in a reduction of \$20,000,000 in bills held under repurchase agreement.

Noted.

The minutes of the meeting of the Federal Reserve Board held on February 14th were then read and approved.

REPORTS OF STANDING COMMITTEES:

- Dated, February 14th, 18th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, February 15th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, February 17th, Recommending approval of the application of Mr. Meyer Boskey for permission to serve at the same time as director and officer of the Long Island National Bank of New York, New York City, and as director and officer of the Douglaston National Bank of New York, New York City.
Approved.
- Dated, February 17th, Recommending approval of the application of Mr. William J. Large for permission to serve at the same time as director of the Long Island National Bank of New York, New York City and as director of the Douglaston National Bank of New York, New York City.
Approved.
- Dated, February 17th, Recommending approval of the application of Mr. Harry S. Finkenstaedt for permission to serve at the same time as director and officer of the National Bank of Commerce of Detroit, Mich., and as director of the Peoples National Bank of Jackson, Mich.
Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, February 17th, Recommending approval of the application of Mr. C. A. Kinney for permission to serve at the same time as director of the City National Bank and Trust Company of Battle Creek, Mich., and as director and officer of the National Bank of Commerce of Detroit, Mich.

Recommendation approved.

Dated, February 17th, Recommending approval of the application of Mr. P. J. Cashman for permission to serve at the same time as officer of the Exchange National Bank of Tulsa, Okla., and as director and officer of the Oklahoma First National Bank of Skiatook, Okla.

Recommendation approved.

The meeting adjourned at 3:45 p.m.

C. W. McClelland
Assistant Secretary.

Approved:

Ray Young
Governor.