

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, February 24, 1930 at 11:30 a.m.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Noell, Asst. Secretary

The minutes of the meetings of the Federal Reserve Board held on February 20th and 21st were read and approved.

Letter dated February 20th from the Secretary of the Federal Reserve Bank of New York and telegram of the same date from the Chairman of the Federal Reserve Bank of San Francisco, both advising that their boards of directors at meetings on the date stated made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegrams dated February 24th from the Governor of the Federal Reserve Bank of Boston and from the Deputy Governor of the Federal Reserve Bank of New York, advising that effective immediately those banks are extending their currently effective minimum buying rate of $3\frac{3}{4}\%$ to apply to bills up to the ninety day maturity, rates on longer maturities and sales contracts remaining unchanged.

Without objection, noted with approval.

Letter dated February 19th from the Assistant Federal Reserve Agent at St. Louis, advising that inasmuch as Mr. William White, who was appointed a director of the Memphis Branch of the Federal Reserve Bank of St. Louis for a three year term beginning January 1, 1930, did not qualify for that office at

2/24/30

-2-

the meeting of the directors of the bank on February 19th Mr. J. M. Tarrant, President of the First-Citizens National Bank, Dyersburg, Tenn., was elected a director in place of Mr. White for the term ending December 31, 1933.

Noted.

Telegram dated February 24th 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 Union Savings Bank and Trust Company, Steubenville, Ohio, without cost to the member bank, at the time that institution is under examination by State authorities.

Approved, for one Examiner.

Telegram dated February 24th from the Federal Reserve Agent at Dallas, advising that the Farmers and Merchants National Bank, Henderson, Texas, failed to open this morning; also that the bank is indebted to the Federal Reserve Bank of Dallas in the amount of \$49,000, that it has been in a very serious condition for a long period, and a recent investigation disclosed a shortage of approximately \$100,000 resulting from manipulations by the President of the bank.

Noted.

Letter dated February 20th from the Deputy Comptroller of the Currency, advising of the resignation, as of January 31, 1930, of Mrs. Frances Frisbee Howard, clerk-counter in the Federal Reserve Issue and Redemption Division.

Noted.

Matter approved on initials on February 21st, namely, telegram dated February 21st to the Federal Reserve Agent at San Francisco replying to two telegrams from him under date of February 20th advising of the resignation

2/24/30

-3-

of Mr. Allan Sproul, Assistant Federal Reserve Agent at the bank, and the appointment of Mr. Oliver P. Wheeler, subject to the approval of the Federal Reserve Board, as Acting Assistant Federal Reserve Agent, and the appointment of Mr. S. G. Sargent as Secretary of the board of directors; the Board's reply advising that it approves the designation of Mr. Wheeler as Acting Assistant Federal Reserve Agent and that the appointment of Mr. Sargent as Secretary is noted.

Formally approved.

Letter dated February 19th from Deputy Governor Case of the Federal Reserve Bank at New York, advising of conditions in the Government security and bill markets; the letter stating that the only change that has taken place in the Open Market Investment Account since his previous letter is the taking over temporarily from the Federal Reserve Bank at Dallas of \$5,000,000 of its participation in Government securities, that the Government security market has continued inactive during the greater part of the weekly period, that the conditions in the bill market have remained practically unchanged, and that the net operations through the New York bank should show an increase of about \$7,000,000 over last week, sales contracts showing a slight reduction for the week.

Noted.

Report of Committee on Examinations on letter dated February 15th from the Assistant Federal Reserve Agent at New York, transmitting copy of letter from the Treasurer of the Caleb Heathcote Trust Company of Scarsdale, N. Y., advising of the purchase by that bank of 50 shares each of stock of the Bank of Manhattan Company, The Equitable Trust Company and the Manu-

2/24/30

-4-

facturers Trust Company, all of New York, in violation of condition #3 under which the bank was admitted to membership in the Federal Reserve System; the bank's letter stating that this condition was inadvertently ignored at the time of the purchase of the stock and as the Company desires to hold the securities as an investment, they would like to have permission to do so from the Board; the Board's Committee recommending approval of the bank's request that they be permitted to hold the stocks purchased, providing that the Board can have the assurance that the bank will refrain from further purchase of bank stocks without obtaining permission from the Board as is required in its conditions of membership.

Upon motion, the retention of the stocks by the Caleb Heathcote Trust Company of Scarsdale, N. Y. was approved subject to the condition recommended by the Committee, Messrs. Hamlin and Miller voting "no".

Upon his request, Governor Young was then authorized to prepare a letter to all Federal Reserve Agents requesting that they call to the attention of State member banks in their Districts the provisions of the 3rd condition under which they were admitted to membership in the Federal Reserve System that they shall not purchase stock in any other bank without first obtaining permission from the Federal Reserve Board.

Report of Committee on Examinations on memorandum dated February 19th from the Comptroller of the Currency, recommending approval upon condition that no money be returned to the shareholders but that the full amount of the reduction be credited to the undivided profits account, of the application of the City National Bank of Forney, Texas, for permission to reduce its capital stock from \$50,000 to \$25,000; the Board's Committee recommending that the application be granted on condition that no money be paid to the stockholders, but that the reduction be used to remove the doubtful paper and other real

2/24/30

-5-

estate, from the assets of the bank.

Upon motion, the application was approved, subject to the condition recommended by the Committee, it being understood that should the Comptroller of the Currency have any objection to this action the Board would be glad to again consider the application in the light of any further information that the Comptroller may desire to furnish.

Memorandum from Counsel dated February 19th, with regard to letter dated February 17th from the Assistant Federal Reserve Agent at Chicago advising that the counsel of the bank, in connection with the application of the Fidelity Trust Company of Detroit, Michigan, for membership in the Federal Reserve System, has taken exception to some technical matters and also to the fact, which the Chicago Bank considers fundamental, that under its certificate of incorporation the applicant bank is authorized to become surety for administrators, guardians and other persons and to guarantee or insure real estate titles; Counsel's memorandum stating that the Board has admitted to membership numerous banks having such powers, under conditions of membership either forbidding or restricting the exercise of these powers, which condition of membership could be imposed, should the Board desire, in the present case; and submitting a proposed letter to the Assistant Federal Reserve Agent at Chicago, requesting that the bank's application be forwarded to the Board with the recommendation of the membership committee of the Federal Reserve Bank of Chicago in order that the Board may take appropriate action thereon, and that he furnish the Board with a full copy of the letter received from Counsel in order that the Board may give due consideration to the technical questions raised by him.

Upon motion, the letter submitted by Counsel was approved.

Governor Young then stated that because of the recent publicity which

2/24/30

-6-

has been given to the matter of supposed foreign operations by the Federal Reserve banks he has prepared, with the Director of the Division of Research and Statistics, a memorandum on this subject which he now desires to submit for the information of the members of the Board.

Upon motion, the memorandum was ordered circulated.

The Governor then presented, and the Assistant Secretary read, a letter dated February 21st from the Chairman of the House Banking and Currency Committee stating that in accordance with authority granted in H. R. 141, under which the Committee is authorized to make a study and investigate group, chain, and branch banking during the present session of Congress, it has been decided to begin the study on February 25th, upon which date the Comptroller of the Currency will appear before the Committee; the Secretary of the Treasury or his designates to be heard next, following which the Committee will be pleased to hear the Governor or whomever the Board may designate to speak for it upon the subject of this study.

Discussion ensued as to how the opinions of the members of the Board could best be presented to the Committee, it being suggested that possibly the most satisfactory procedure would be for the Board to prepare a statement, setting forth the opinion of the Board or at least a majority of the members, for submission to the Committee.

At the conclusion of the discussion, Governor Young stated that he would prepare and submit to the Board at the next meeting, a reply to the Chairman of the House Banking and Currency Committee, pending determination of the procedure to be followed in presenting the Board's views to the Committee.

A letter dated February 21st from the Federal Reserve Agent of the Federal Reserve Bank of Richmond was then presented by the Governor, and read by the Assistant Secretary, advising that upon receipt of the Board's letter

2/24/30

-7-

of February 19th he had communicated with Mr. Sands, President of the American Bank and Trust Company, and acquainted him with the position of the Federal Reserve Board with regard to the 2,012 shares of stock of the West End Bank of Richmond, which the American Bank and Trust Company had acquired in violation of the third condition of its membership in the Federal Reserve System; the letter also stating that Mr. Sands recognizes the soundness of the Board's views and authorizes the Federal Reserve Agent to assure the Board that if the West End Bank should not be turned into a branch of the American Bank and Trust Company within the current year he will remove the stock of the West End Bank from the assets of the American Bank and Trust Company.

Mr. James then moved that President Sand's commitment be noted with approval, and that Mr. Hoxton be so advised.

Mr. James' motion, being put by the Chair, was carried, Mr. Cunningham voting "no".

The Governor then presented a confidential letter dated February 21st from the Governor of the Federal Reserve Bank of New York, advising of receipt by him of the following cable from Sir Charles Addis, Vice President of the Organization Committee of the Bank of International Settlements:

"You know that there is to be a meeting of Governors in Rome on the 26th February and that this meeting will wish to invite the two American directors of the Bank for International Settlements. Before this can be done it is necessary as a matter of form that we should have a statement from you to the effect either that you will nominate these two members, or that you are unable or unwilling to do so. As Vice President of the Organization Committee of the Bank I should be much obliged if you would cable me such a statement so that the Governors may know whether they must proceed to make the two invitations. Before the two directors are invited individually by the Governor it will also be necessary under the Plan to ask you whether the Federal Reserve Bank of New York objects to their selection."

and of his reply as follows:

"In reply to your cable of February 20 I am glad to confirm what I have already orally advised Jackson E. Reynolds, President of Organization Committee that it will not be possible for me to nominate the two American directors of the Bank for International Settlements."

Discussion ensued during which reference was made to the stated policy of the State Department with regard to the Bank for International Settlements, the power of the Governor of the Federal Reserve Bank of New York to make the nominations of the two American directors of the proposed Bank, and the advisability of referring Governor Harrison's letter to the State Department.

At the conclusion of the discussion, Governor Young stated that he would consult with Deputy Governor Case, or if necessary with Governor Harrison, regarding the reference of Governor Harrison's letter to the State Department, and that he would prepare draft of a letter to the Acting Secretary of State for consideration at the next meeting of the Board.

REPORTS OF STANDING COMMITTEES:

- Dated, February 24th, Recommending a change in stock at a Federal Reserve bank as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, February 20th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, February 20th, Recommending approval of the application of Mr. N. R. Graham for permission to serve at the same time as officer of the Exchange National Bank of Tulsa, Okla., and as director of the American National Bank of Pryor, Okla.
Approved.
- Dated, February 20th, Recommending approval of the application of Mr. Elmo Thompson for permission to serve at the same time as director of the Oklahoma-First National Bank of Skiatook, Okla. and as officer of the Exchange National Bank, Tulsa, Okla.
Approved.
- Dated, February 20th, Recommending approval of the application of Mr. J. F. Darby for permission to serve at the same time as director of the First National Bank and Trust Company of Tulsa, Okla. and as director of the Commercial National Bank of Muskogee, Okla.
Approved.

2/24/30

The meeting adjourned at one o'clock.

J. Snodice
Assistant Secretary.

Approved:

Raymond
Governor.