

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, February 27, 1930 at 11:30 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on February 26th were read and approved.

Telegram dated February 26th from the Chairman of the Federal Reserve Bank at Boston, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

The Governor then submitted the following schedules of rates for purchases of bankers acceptances made effective at the Federal Reserve Banks of Cleveland and San Francisco on February 24th which, he stated, he had approved under authority granted him by the Board:

1 to 90 days	-	3 3/4%
91 to 120 days	-	3 7/8%
121 to 180 days	-	4 1/4%
Repurchase	-	3 7/8%

Without objection, noted with approval.

Letter dated February 25th from the Assistant Federal Reserve Agent at Kansas City, advising of the establishment at that bank of the following schedule of buying rates for bankers acceptances, effective February 24th:

1 to 90 days	-	3 3/4%
91 to 120 days	-	3 7/8%
121 to 180 days	-	4 1/4%

Without objection, noted with approval.

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Memorandum dated February 27th from the Chief of the Division of Bank Operations, submitting for the information of the Board, statement showing the expenditures of Federal Reserve banks for educational and welfare work, etc. during the month of January.

Ordered circulated.

Report of Committee on Salaries and Expenditures on letter dated February 21st from the Chairman of the Federal Reserve Bank at San Francisco, enclosing report of employees who were granted leaves of absence with pay, on account of illness, during the entire month of January; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of Committee on Examinations on letter dated February 21st, from the Secretary of the Federal Reserve Bank at Chicago, recommending approval of the application of the Halsted Exchange National Bank of Chicago for a reduction in its reserve requirements on demand deposits from 13% to 10%, which is the same as required of other banks operating in outlying sections of Chicago under similar conditions; the Board's Committee recommending approval.

Unanimously approved.

Letter dated February 26th from the Chairman of the Federal Reserve Bank at Philadelphia, requesting approval by the Board of the designation of Mr. Albert J. Spencer, Jr., of the Audit Department of the bank, as a special assistant to the Bank's examiners.

Upon motion, the designation was approved. X

Letter dated February 25th from the Secretary of the Federal Reserve Bank at Chicago, advising that the Executive Committee of the Bank feels that

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a special election should be called at as early a date as practicable to fill the vacancy on the Board of Directors of the Bank caused by the death of Director August H. Vogel, and that while the matter will be formally considered by the directors at their next meeting, tentative plans have been made to open nominations on March 5th and to open the polls on April 1st and close them on April 15th.

Noted, with approval.

Report of Committee on Examinations on memorandum dated February 25th from the Comptroller of the Currency, recommending approval of the application of the City National Bank of Miami, Fla. for permission to reduce its capital from \$1,000,000 to \$500,000, it being the intention of the stockholders to place in the bank \$1,000,000, which, together with \$500,000 from surplus and the proposed reduction in capital of \$500,000, will be used to remove from the assets of the bank all of the listed losses and approximately \$1,000,000 of doubtful; the Board's Committee recommending approval on the basis of the arrangement outlined in the Comptroller's memorandum.

Approved.

Report of Committee on Examinations on letter dated February 21st from the Assistant Federal Reserve Agent at San Francisco, advising of the tentative terms under which the Security State Bank of La Crosse, Wash. will be merged into the First State Bank of La Crosse, Wash. and recommending approval of the merger conditioned upon final terms being satisfactory to the Washington Supervisor of Banking; the Board's Committee recommending approval if and when final terms are approved by the Supervisor of Banking.

Approved.

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The Governor stated that arrangements have now been made through Under-secretary Mills for sufficient space in Treasury Annex #1 for the Board's Division of Research and Statistics and Division of Bank Operations, now housed in the Otis Building, which space will be available some time in July, and he requested authority to address a letter to the owners of the Otis Building giving the required sixty days' notice that the Board will wish to renew its lease on a monthly basis for a period of three or four months from April 30, 1930.

Upon motion, the authority requested was granted.

The Governor then reported that under the present arrangements it will probably be impossible for the Board to acquire any additional space in the Treasury Building at the present time, but that he is endeavoring to have made available for the use of the Board the large conference room contemplated in the report previously submitted.

Report of Committee on Examinations on letter dated February 19th from the Assistant Federal Reserve Agent of the Federal Reserve Bank at Cleveland, recommending approval of the application of the Central Depositors Bank and Trust Company of Akron, Ohio, for permission to purchase the assets and liquidate the Falls Banking Company, Cuyahoga Falls, Ohio, which transaction the Agent's Department feels quite certain will effect no change in the general character of the assets of the Central Depositors Bank and Trust Company; the Board's Committee recommending approval.

Approved.

Draft of letter prepared by Counsel, in reply to letter dated February

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14th from the Assistant Federal Reserve Agent at New York, inquiring whether Mr. A. S. O'Neill should apply to the Board for permission to serve as director of a small National bank and as director of the Ogdensburg Trust Company of Ogdensburg, N. Y., the latter institution at the present time having resources in excess of \$5,000,000; the proposed reply stating that inasmuch as the average resources of the Ogdensburg Trust Company during the fiscal year next preceding the date set for the annual election of directors were less than \$5,000,000, it will not be necessary for Mr. O'Neill to obtain permission at this time to serve as a director of the Ogdensburg Trust Company and as a director of the small National bank; that if during the year 1930 the average resources of the Ogdensburg Trust Company exceed \$5,000,000 permission to serve the two institutions will be necessary; and that the Board will not object if an application is voluntarily filed by Mr. O'Neill in advance of the date when it is legally necessary.

Upon motion, the proposed letter was approved.

The Governor then presented the following revised draft of letter to the Chairman of the House Banking and Currency Committee considered at the meeting of the Board yesterday:

"Your letter of February 21st, enclosing House Resolution 141, with regard to the study of group, chain and branch banking, which your Committee is to undertake, and stating that your Committee will be pleased to hear from me or whomever the Board may designate to speak for the Board, upon the subject, has been brought to the attention of the Board by me.

"In reply I am writing to say that while the Board has in the past accumulated information on the subject of group, chain and branch banking, nevertheless, the rapid strides made by group banking during the past two years particularly has made it extremely difficult for the Board to secure information promptly enough to enable it to keep pace with recent developments and the present status of this whole matter. With this in mind, it recently, at the suggestion of the Federal Advisory Council and also of the Governors of the Federal reserve banks and the

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"Federal Reserve Agents, enlarged the membership of its Committee prosecuting these investigations, by including representatives of the Federal reserve banks.

"The Board feels that group, chain and branch banking presents one of the most important and most difficult problems of our changing banking structure before the country at the present time. It believes that more complete information regarding the forces which have impelled this new development will be necessary before conclusions of value can be arrived at regarding its effects - financial, economic and social. The Board has not yet reached such conclusions and is not, therefore, in a position to designate a representative to appear before your Committee and to speak for the Board at this time.

"I will, of course, be very glad to appear before your body, furnish all the information we have at the present time, and answer any inquiries that I can, as will also any of my colleagues.

"In the course of your hearings questions may arise whereby our Research and Statistical Division may be of service to you and to your Committee. I hope you will feel free to command us at any time. I can assure you in advance of our complete cooperation."

Upon motion, the letter was approved and ordered transmitted.

In accordance with the action taken at the meeting on February 26th,

the Governor then presented the following resolution:

"Resolved, that the Governor arrange for a survey and study of the subject of branch Federal reserve banks with a view of informing the Board under what circumstances the establishment or maintenance of branch Federal reserve banks is justified from an economic and public service standpoint; the purpose of such survey to be to enable the Board to formulate a definite policy with reference to Federal reserve branch banks in the light of experience gained through the actual operation of existing branches, and also to enable it to determine whether any of the existing branches of Federal reserve banks should be curtailed in their functions or discontinued in the interest of economy and efficiency."

Upon motion, this resolution was unanimously adopted.

The Governor then referred to the reply made by Governor Harrison of the Federal Reserve Bank of New York to the cable received by him from the Vice President of the Organization Committee of the Bank for Inter-

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national Settlements, considered at the meeting on February 25th, and presented the following letter from Deputy Governor Case of the Federal Reserve Bank at New York, which was read by the Assistant Secretary:

"Referring to Governor Harrison's letter of February 21 regarding recent developments in connection with the Bank for International Settlements, I wish to advise you that we have received today from the Banca d'Italia, Rome, the following cable signed by Messrs. Franck, Moreau, Norman, Schacht, Stringher, and Tanaka:

'From the cable addressed on the 20th February by Governor Harrison to the vice-chairman of the Organization Committee the undersigned have learned with regret that he is unable to nominate American directors of the Bank for International Settlements. They would be glad to know whether Federal Reserve Bank of New York objects to their inviting Messrs. Gates McGarrah and Leon Fraser to join the Board of the bank which is now being constituted according to the plan at an informal meeting of central bank governors in Rome. Please reply urgent to Banca d'Italia.'

"We have cabled a reply to the foregoing message as follows:

'We appreciate your courtesy in transmitting to us the cable of February 26 signed by Messrs. Franck, Moreau, Norman, Schacht, Stringher and Tanaka and should be greatly obliged if you would deliver to them the following message Quote your cable of February 26 received in which you inquire whether the Federal Reserve Bank of New York objects to your inviting Messrs. Gates W. McGarrah and Leon Fraser to join the Board of The Bank for International Settlements. In response to your inquiry and in order to comply formally with Article 28 of the statutes of The Bank for International Settlements we beg to advise you that the Federal Reserve Bank of New York has no objection to offer to the election of Messrs. McGarrah and Fraser as the American directors of The Bank for International Settlements end quote.'

The Governor then reported that he had talked with the Acting Secretary of State over the telephone this morning regarding the letter addressed to him by the Board on February 25th and was advised that the Department had no ob-

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jection to Governor Harrison's reply, and, upon being advised by the Governor of the reply made by the New York bank to the second cablegram received, stated that the Department had no objection to offer to it.

A discussion then ensued, at the conclusion of which, upon motion copy of the letter received from Deputy Governor Case was ordered transmitted to the State Department.

The Governor then reported to the Board that Mr. McGarrah, Chairman of the Federal Reserve Bank of New York, had advised him of his appointment as an American director of the Bank for International Settlements, and in order that the Board may be in a position to say that it has his resignation as Chairman and Federal Reserve Reserve Agent and as a Class C Director of the Federal Reserve Bank of New York at the time public announcement would be made at 3:30 o'clock this afternoon following the meeting of the Board of Directors of the Federal Reserve Bank of New York, Mr. McGarrah had given him his oral resignation as of 3:00 o'clock, stating that a formal letter tendering his resignation would be forwarded to the Board to reach Washington tomorrow.

Upon motion, Mr. McGarrah's oral resignation as Chairman and Federal Reserve Agent and Class C Director of the Federal Reserve Bank of New York was accepted with regret.

The Governor then referred to the matter of the appointment of a successor to Mr. McGarrah and stated that he believed the matter should be settled as soon as possible but would like to have all members of the Board present when a final vote is taken.

A general discussion ensued as to a possible successor to Mr. McGarrah, action being deferred pending a full meeting of the Board at the afternoon session.

At 1:15 p.m., the meeting recessed and reconvened at 3:00 p.m., the same members being present as attended the morning session and, in addition,



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the Chairman and Mr. Pole, the former taking the Chair.

The Governor explained to the Chairman and to Mr. Pole the discussion had at the morning session, regarding a successor to Mr. McGarrah.

He then moved that Mr. J. H. Case, Deputy Governor of the Federal Reserve Bank of New York, be appointed by the Board as Class C Director of the Federal Reserve Bank of New York for the unexpired portion of the term of Mr. Gates W. McGarrah, ending December 31, 1931, and that he be designated as Chairman of the Board of Directors and Federal Reserve Agent of the bank, for the remainder of the current year, with salary at the rate of \$50,000 per annum.

This motion, being put by the Chair, was unanimously carried.

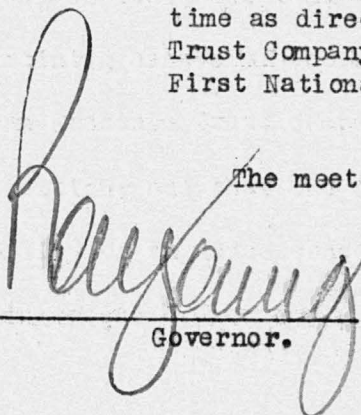
Governor Young reported that he had talked with Mr. Platt prior to the meeting, who had advised him that were he present he would vote in favor of the appointment of Mr. Case.

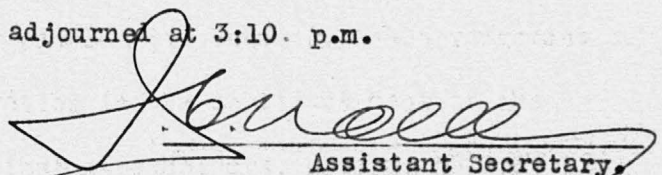
REPORTS OF STANDING COMMITTEES:

- Dated, February 25th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, February 25th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.
- Dated, February 19th, Recommending action on an application for admission of a state bank, subject to the condition stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.
- Dated, February 26th, Recommending approval of the application of Mr. Fred-eric W. Ecker for permission to serve at the same time as director of the American Express Bank and Trust Company, New York, N. Y., and as director of the First National Bank in Greenwich, Greenwich, Conn.  
Approved.

The meeting adjourned at 3:10 p.m.

Approved:

  
Governor.

  
Assistant Secretary.