

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 6, 1930 at 11:30 a.m.

PRESENT: Vice Governor Platt
 Mr. Hamlin
 Mr. Miller
 Mr. James
 Mr. Cunningham
 Mr. McClelland, Asst. Secretary

The minutes of the meetings of the Federal Reserve Board held on March 4th and 5th were read and approved.

After some discussion of the report made by the Governor at the meeting on March 5th, upon motion, it was voted to request the Governor to communicate with the committee which is to conduct the study of group, chain and branch banking for the Board and secure a list of any questions on the subject which that committee would like to have submitted to witnesses appearing before the House Banking and Currency Committee, including, if desired, suggestions as to the identity of witnesses whose testimony it is believed will be most enlightening, such data to be submitted to the Board before transmittal to the Chairman of the Committee on Banking and Currency of the House of Representatives.

Telegram dated March 4th from the Deputy Governor of the Federal Reserve Bank of New York, advising of a reduction of $1/8\%$ at close of business on that day in dealers' bid and asked rates on all maturities of bills; the telegram also advising of the establishment of the following schedule of effective buying rates at the Federal Reserve Bank of New York effective March 5th:

1 to 120 days	-	$3 \frac{5}{8}\%$
121 to 180 days	-	4%
Repurchase	-	$3 \frac{3}{4}\%$

Without objection, noted with approval.

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Telegram dated March 5th from the Deputy Governor of the Federal Reserve Bank of New York, advising of a further reduction of $1/8\%$ on that date in dealers' rates on two name paper to $3\ 5/8\%$ bid - $3\ 1/2\%$ asked on maturities up to 120 days, and $3\ 3/4\%$ bid - $3\ 5/8\%$ asked on longer maturities, with endorsed bills $1/8\%$ less; the telegram stating that the Federal Reserve bank is maintaining for the present at least the rates announced on March 4th.

Noted.

Telegram dated March 5th from the Governor of the Federal Reserve Bank of Boston, advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 120 days	-	$3\ 5/8\%$
121 to 180 days	-	4%
Repurchase	-	$4\ 1/4\%$

Without objection, noted with approval.

Telegram dated March 5th from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment on that date of the following schedule of buying rates:

1 to 120 days	-	$3\ 3/4\%$
121 to 180 days	-	$4\ 1/8\%$

Without objection, noted with approval.

Telegrams dated March 5th from the Secretary of the Federal Reserve Bank of Chicago and the Governor of the Federal Reserve Bank of St. Louis, advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 120 days	-	$3\ 5/8\%$
121 to 180 days	-	4%

Without objection, noted with approval.

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Telegram dated March 5th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 120 days	-	3 5/8%
121 to 180 days	-	4%
Repurchase	-	3 3/4%

Without objection, noted with approval.

The Assistant Secretary reported that the above telegram also advises of the establishment of a minimum buying rate for purchases of acceptances of 3 1/4%, which is below the 3 1/2% minimum rate approved by the Board of the Federal Reserve Bank of New York. He stated that some time ago when the New York minimum rate was at 3 3/4% the San Francisco bank requested a minimum of 3 1/2% which the Board took under review, determining the minimum buying rate of the San Francisco bank to be 3 3/4%.

After some discussion, during which mention was made of the possibility of the directors of the Federal Reserve Bank of New York requesting a further reduction in the minimum buying rate of that bank, it was voted to take under review for the time being the 3 1/4% minimum buying rate established by the San Francisco directors and to determine the minimum buying rate of the San Francisco bank during the interim to be 3 1/2%.

Telegram dated March 5th from the Chairman of the Federal Reserve Bank at Philadelphia, 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.

Letter dated March 3rd from the Secretary of the Federal Reserve Bank of Chicago, advising that at the meeting of the board of directors of the bank held on February 28th, it was voted that the salary of Governor McDougal for the current year be fixed at the same amount as in 1929, subject to the approval of the Federal Reserve Board, but that, notwithstanding this action,

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it was decided that Deputy Chairman Simpson and Mr. Wetmore, member of the Federal Advisory Council from Chicago, should again present the matter to the Board at their convenience.

After some discussion, upon motion, it was voted to approve the salary of \$35,000 per annum fixed by the Chicago directors for Governor McDougal during the year 1930.

Letter dated March 4th from the Assistant Federal Reserve Agent at New York, advising of the proposed merger of the Rugby National Bank of Brooklyn, N. Y. with the Globe Bank and Trust Company of Brooklyn, a member bank; the letter stating that the Rugby National Bank is controlled by the Globe Financial Corporation, an affiliate of the Globe Bank and Trust Company, so the proposed merger will have the effect of transferring the Rugby National Bank from a chain unit to a branch under the same control.

Noted.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Philadelphia and St. Louis of employees for whom the directors of those banks authorized leaves of absence with pay, on account of illness, during the month of February, and by the Federal Reserve Bank of Chicago, covering the period from January 24th to February 27th, where the total of such absences since January 1, 1930 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Letter dated March 1st from Mr. J. H. Case, accepting and expressing appreciation of appointment by the Board as Class C Director of the Federal Reserve Bank of New York for the unexpired term of Mr. Gates W. McGarrah,

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resigned, ending December 31, 1931, and designation as Chairman of the Board of Directors and Federal Reserve Agent for the remainder of the current year.

Noted.

Letter dated March 5th from the Chairman of the Federal Reserve Bank of Philadelphia, setting forth circumstances because of which it was found necessary on February 26th to terminate the services of Mr. Frank W. LaBold, as Assistant Cashier of the bank, which action was approved by the board of directors at its meeting on March 5th.

Noted.

Memorandum dated March 3rd from Mr. Smead, Chairman of the Committee on Bank Reserves, to which the Governor on February 20th referred the proposal that the Board's regulations be amended so as to permit calculation of reserves of member banks on the basis of net deposits at the opening of business; the memorandum stating that the Committee has carefully reviewed the replies of the Federal Reserve Banks to the Board's letter of January 31, 1930 (X-6489), believes that this question should be considered in connection with a number of other questions which are bound to arise in the course of the Committee's work, and recommends that the proposal under consideration be left without determination until the Committee has considered the whole reserve problem.

Upon motion, it was voted to follow the Committee's recommendation.

Memorandum dated March 3rd from Assistant Counsel, advising that he knows of no legal reason why the Board should not approve an application filed by the National City Bank of New York for permission to establish branches in Ponce, Mayaguez, Arecibo and Santurce, Porto Rico, which is in proper legal form. The Assistant Secretary reported that the application

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was also referred to the Comptroller of the Currency and the Federal Reserve Agent at New York, both of whom advise that they know of no reason why it should not be approved.

Upon motion, the following was ordered spread upon the minutes, Mr. Cunningham voting "no":

"The National City Bank of New York, having on or about February 28, 1930, filed an Application with this Board for the purpose of obtaining authority to establish Branches in Ponce, Mayaguez, Arecibo and Santurce, or in any one or more of the same, all of said places being in PORTO RICO, and the said Application having been considered; and it appearing that the said Application is properly made under the laws of the United States of America and should be granted, Now, therefore, it is

ORDERED, that the said Application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish Branches in Ponce, Mayaguez, Arecibo and Santurce, or in any one or more of the same, all of said places being in PORTO RICO."

The Assistant Secretary then stated that special order of business for this meeting is a hearing to show cause why the First State Bank of Bomarton, Texas, should not be required to surrender its stock in the Federal Reserve Bank of Dallas and to forfeit all rights and privileges of membership in the Federal Reserve System.

No one appearing on behalf of the First State Bank of Bomarton, Texas, at the said hearing before the Federal Reserve Board, under the terms of Section 9 of the Federal Reserve Act; and it appearing to the Federal Reserve Board that the said First State Bank of Bomarton, Texas, has failed to comply with the provisions of Section 9 of the Federal Reserve Act, in that it has reduced its capital stock to an amount less than that required by Section 9 of the Federal Reserve Act of State banks and trust companies which are members of a Federal Reserve bank;

Upon motion, the following resolution was unanimously adopted:

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"Whereas, it appears to the Federal Reserve Board from a consideration of the evidence and information received by it that the First State Bank of Bomarton, Texas, has failed to comply with the provisions of Section 9 of the Federal Reserve Act, in that it has reduced its capital stock to an amount less than that required by Section 9 of the Federal Reserve Act of State banks and trust companies which are members of a Federal reserve bank;

"Now, therefore, be it resolved, that the Federal Reserve Board require and direct the First State Bank of Bomarton, Texas, under the terms of Section 9 of the Federal Reserve Act, as amended, to surrender its stock in the Federal Reserve Bank of Dallas and to forfeit all rights and privileges of membership in the Federal reserve system as of the date upon which notice of this action on the part of the Federal Reserve Board is received by said bank."

Letter dated March 5th from the Assistant Federal Reserve Agent at New York, advising of receipt from the Caleb Heathcote Trust Company of Scarsdale, N. Y. of a letter giving the assurance that no further purchases of bank stocks will be made without prior approval from the Federal Reserve Board and requesting that the Board be notified of this assurance.

Noted.

Memorandum from Counsel dated March 3rd, summarizing the views expressed by the Federal Reserve Agents and Governors of the Federal Reserve Banks on H. R. 7966, referred to them in the Board's letter of January 8, 1930, (X-6472).

Ordered circulated.

Memorandum from Counsel dated February 25th, submitting drafts of letters to the Chairmen of the Banking and Currency Committees of the Senate and the House of Representatives, recommending an amendment to Section 13 of the Federal Reserve Act to increase from 15 to 90 days the maximum maturity of advances to member banks secured by paper eligible for rediscount or purchase by Federal Reserve banks; the letters having been amended in accordance with

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the directions of the Board at its meeting on February 20th so as to recommend also an amendment to permit debentures of Federal Intermediate Credit banks having a maturity not in excess of six months to be used as security for advances by Federal Reserve banks to member banks for a period not exceeding fifteen days, and also to make it clear that member bank fifteen day notes may be secured by certificates of indebtedness and Treasury bills as well as by bonds or notes of the United States.

Upon recommendation of the Law Committee, the above letters were approved and ordered transmitted.

Memorandum from Counsel dated March 5th on letter dated March 3rd from the First Federal Foreign Banking Corporation, requesting approval of the cancellation of such of the Corporation's 5-year 5% secured gold notes as may be acquired in the market or through redemption, in accordance with the terms of the trust indenture, provided that at all times collateral is maintained with the trustee having a market value of at least 125% of the principal amount of notes outstanding as required by the trust indenture; Counsel stating that while the proposal involves a withdrawal of collateral, the Board's Regulations, in his opinion, do not cover and were not intended to cover the question whether collateral should be maintained having a market value of 110% of notes outstanding after a partial cancellation of notes or 110% of the total notes issued and as the Board may adopt either position there is no legal reason why the proposal may not be approved. He calls attention, however, to the conditions disclosed by the recent examination of the First Federal Foreign Banking Corporation because of which approval of the proposal may be open to question, and suggested that the matter be referred to the Board's Examiner in Charge for recommendation.

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After discussion, upon motion, it was voted to refer the question to Mr. Drinnen, in accordance with Counsel's suggestion.

Memorandum dated February 28th from Counsel, submitting draft of a letter for the signature of the Secretary of the Treasury in reply to one from the Chairman of the Committee on Banking and Currency of the Senate, requesting an expression of views on S. 3564, a bill to amend the provisions of Section 7 of the Federal Reserve Act regarding the distribution of earnings of the Federal Reserve banks.

After discussion, upon motion, the matter was ordered referred to the Law Committee.

Memorandum dated February 14th from the Board's Examiner in Charge, submitting report of an examination of the Federal Reserve Bank of Philadelphia as at the close of business, January 18, 1930.

Referred to the Committee on District #3 and Committee on Examinations.

REPORTS OF STANDING COMMITTEES:

- Dated, March 5th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, March 5th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, March 5th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, March 4th, Recommending approval of the application of Mr. George W. Burt for permission to serve at the same time as director of the Citizens National Bank of Portland, Ore., and as director of the Union State Bank of Portland, Ore.
Approved.
- Dated, March 4th, Recommending approval of the application of Mr. Delos W. Cooke for permission to serve at the same time as director of the Equitable Trust Company of New York City, as director of the Foreman-State National Bank of Chicago, Ill.,

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REPORTS OF STANDING COMMITTEES: (Cont'd)

and as director of the Phoenix National Bank of Phoenix, Ariz.

Approved.

Dated, March 4th, Recommending approval of the application of Mr. Walter E. Bedell for permission to serve at the same time as director of the Broadway National Bank and Trust Company of New York, New York and as director of the Kings County Trust Company of Brooklyn, N. Y.

Approved.

Dated, March 4th, Recommending approval of the application of Mr. Frederic J. Greenebaum for permission to serve at the same time as director of the Hyde Park-Kenwood National Bank of Chicago, Ill., and as officer of the Central Trust Company of Illinois, Chicago, Ill.

Approved.

Dated, March 4th, Recommending approval of the application of Mr. E. A. Clark for permission to serve at the same time as director and officer of the Citizens National Bank of Portland, Ore. and as director and officer of the Oregon State Bank of Portland, Ore.

Approved.

Dated, March 4th, Recommending approval of the application of Mr. George W. Weatherly for permission to serve at the same time as director of the Citizens National Bank of Portland, Ore. and as director of the Oregon State Bank of Portland, Ore.

Approved.

Dated, March 4th, Recommending approval of the application of Mr. Potter Palmer for permission to serve at the same time as director of the First National Bank of Chicago, Ill., and as director of The Palmer National Bank and Trust Company of Sarasota, Fla.

Approved.

Dated, March 5th, Recommending approval of the application of Mr. William D. Baldwin for permission to serve at the same time as director of the American Express Bank & Trust Company of the City of New York, N. Y., and as director of the Westchester County National Bank, Peekskill, N. Y.

Approved.

Dated, March 5th, Recommending approval of the application of Mr. Robert Strickland, Jr., for permission to serve at the same time as director and officer of the First National Bank of Atlanta, Ga., and as director and officer of the Trust Company of Georgia, Atlanta, Ga.

Approved.

Dated, March 5th, Recommending approval of the application of Mr. Ralph B. Ives for permission to serve at the same time as director of the American Express Bank & Trust Company of the City of New York, N. Y., as director of the Bankers Trust

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Company of Hartford, Conn., and as director of the Hartford National Bank & Trust Company of Hartford, Conn.

Approved.

Dated, March 6th, Recommending approval of the application of Mr. John T. Walker, Jr., for permission to serve at the same time as director and officer of the Atlantic National Bank of Jacksonville, Fla., as director of the Sanford Atlantic National Bank of Sanford, Fla., and as director of the Palatka Atlantic National Bank of Palatka, Fla.

Approved.

Dated, March 6th, Recommending approval of the application of Mr. Robert Law for permission to serve at the same time as director of the First National Bank of Portchester, N. Y., and as director of the Bank of America National Association of New York, N. Y.

Approved.

The meeting adjourned at 12:45 p.m.

C. W. McCalland
Assistant Secretary.

Approved:

Edmund Platt
Vice Governor.