

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 13, 1930 at 11:00 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on March 10th were read and approved.

With reference to the consideration given at that meeting to the question of the membership of the Manhattan Company of New York City, which on November 22, 1929 filed written notice of its intention to withdraw from the Federal Reserve System and has not felt, under the circumstances, that it should be required to subscribe to additional Federal Reserve bank stock by reason of a recent increase in capital and surplus, the Governor reported that he talked over the telephone yesterday with Mr. James P. Warburg. He stated that Mr. Warburg advised him that the Company would not care to have its membership in the Federal Reserve System cancelled and would, therefore, subscribe to Federal Reserve bank stock pending the effective date of its voluntary withdrawal from the System, on the basis of its present capital and surplus.

Informal discussion then ensued regarding group, chain and branch banking development in the United States during the past several years, during which individual members of the Board expressed their personal opinions on the relative merits and possibilities of these forms of bank organization as compared with unit banking.

Telegrams dated March 11th from the Deputy Governor of the Federal Reserve Bank of Boston and from the Deputy Governor of the Federal Reserve Bank of New York, and letter dated March 12th from the Secretary of the Federal

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Reserve Bank of Cleveland, all advising of the establishment on March 11th of the following schedule of rates for purchases of bankers acceptances:

1 to 15 days	-	3 1/4%
16 to 120 days	-	3 3/8%
121 to 180 days	-	3 5/8%
Repurchase	-	3 1/4%

Without objection, noted with approval.

Telegrams dated March 11th from the Secretary of the Federal Reserve Bank of Chicago and the Governor of the Federal Reserve Bank of St. Louis and letter dated March 11th from the Secretary of the Federal Reserve Bank of Kansas City, all advising of the establishment on that date of the following rates for purchases of bankers acceptances:

1 to 15 days	-	3 1/4%
16 to 120 days	-	3 3/8%
121 to 180 days	-	3 5/8%

Without objection, noted with approval.

Telegram dated March 11th from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment on that date of the following rates for purchases of bankers acceptances:

1 to 15 days	-	3 3/8%
16 to 120 days	-	3 1/2%
121 to 180 days	-	3 3/4%

Without objection, noted with approval.

Telegram dated March 11th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment on that date of the following rates for purchases of bankers acceptances:

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

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Without objection, noted with approval.

Telegrams dated March 12th and 13th from the Chairmen of the Federal Reserve Banks of Boston and Richmond, advising that their boards of directors at meetings on the dates stated made no changes in the bank's existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Reports of Committee on Salaries and Expenditures on letter dated March 10th from the Deputy Governor of the Federal Reserve Bank of New York, letter dated March 8th from the Secretary of the Federal Reserve Bank of Cleveland and letter dated March 8th from the Secretary of the Federal Reserve Bank of Kansas City, submitting reports of employees for whom the directors of those banks authorized leaves of absence with pay, on account of illness, during the month of February, 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.

Report of Executive Committee on letters dated March 7th and 8th from the Comptroller of the Currency, recommending approval of salaries of \$3,600 and \$4,000 per annum for Mr. W. J. Waldron and Mr. William P. Funsten, respectively, National Bank Examiners assigned to the Twelfth Federal Reserve District.

Approved.

Report of Committee on Examinations on letter dated March 8th from the Federal Reserve Agent at Cleveland, requesting permission to have a representative of the bank make the usual credit investigation of the Minerva Savings and Trust Company, Minerva, Ohio, without cost to the member bank, at

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the time that institution is under examination by State authorities; the Board's Committee recommending approval.

Approved, for one Examiner.

The Governor then reported that advice has been received from Mr. Waddy B. Wood, President of the Albemarle Investment Company, advising that his Company will enter into a lease for a term of six months from April 30, 1930, for the space now occupied by the Board in the Otis Building, at a rental of \$1500 per month, with the option in the Federal Reserve Board to terminate the lease at any time upon the giving of thirty days' notice in advance.

After discussion, it was voted to instruct Counsel to prepare an appropriate form of lease covering an arrangement as outlined and the Governor was authorized to execute the lease on behalf of the Federal Reserve Board for a period of six months from April 30, 1930.

Report of Committee on Examinations on memorandum dated March 8th from the Comptroller of the Currency, recommending approval of an application of the First National Bank in Harper, Kansas, for permission to reduce its capital from \$50,000 to \$25,000, on condition that cash amounting to only \$11,684.50 be returned to the shareholders and that the remainder of the reduction, amounting to \$13,315.50, be used to remove from the bank three notes amounting to \$6,315.50, and other real estate in the amount of \$7,000, these assets to be trusted for the benefit of the shareholders; the Board's Committee recommending approval as outlined in the Comptroller's memorandum.

Approved.

Report of Law Committee on memorandum dated March 10th from Assistant Secretary Noell, advising that the Andalusia National Bank, Andalusia, Ala., action on whose application for permission to act as administrator was de-

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ferred by the Board at the meeting on February 4th pending the next examination of the bank, accepted an administratorship during the time the application was pending before the Board; the Committee concurring in a recommendation made by the Assistant Secretary that as the bank is acting in a fiduciary capacity without authority, the Comptroller of the Currency be advised of the fact for such action as he may deem necessary.

Upon motion, the matter was referred to the Comptroller of the Currency as recommended.

Memorandum dated March 10th from Counsel, submitting a digest of state laws regarding branch banking, prepared in his office with the assistance of counsel to all the Federal Reserve banks, showing the status of such laws as of January 1, 1930; Counsel recommending that the digest be published in the next issue of the Federal Reserve Bulletin.

Approved.

Memorandum dated March 10th from the Committee on Branch, Chain and Group Banking, advising that in accordance with authority given by the Board arrangements had been made for the employment of Mr. J. H. Riddle as executive secretary of the Committee at a salary of \$1,000 per month for a period not less than six months and not more than twelve.

Upon motion, Mr. Riddle's appointment was approved, Mr. Miller voting "no".

At 1:00 p.m. the meeting recessed and reconvened at 2:30 p.m., the same members being present as attended the morning session.

The Governor reported advice just received over the telephone that at the meeting of the directors of the Federal Reserve Bank of New York today, seven directors being present, it was unanimously voted to establish a re-

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discount rate of 3 1/2% on all classes of paper of all maturities, with the understanding, however, that such action is predicated upon approval or disapproval by the Federal Reserve Board today.

After some discussion, upon motion, the rate of 3 1/2% established by the New York directors on all classes of paper of all maturities was approved, effective tomorrow, March 14th.

In explanation of his vote, Mr. Cunningham made the following statement: "In my opinion the request of the New York board for permission to reduce the discount rate at that bank from 4% to 3 1/2%, should be given further consideration by the Federal Reserve Board. Four percent money is cheap money under present circumstances, and further encouragement to the rapid reduction in money rates might be misconstrued by the borrowing public, and prove to be more harmful to business and commerce than the present rate of 4%. I vote 'aye' on this recommendation with considerable hesitancy."

The Governor then referred to various matters considered at the fall Conferences of Governors and Federal Reserve Agents which have not yet been brought to the attention of the Board and these matters were presented by the Assistant Secretary as follows:

Reports of Pension Committee, Insurance Committee, Leased Wire Committee and Standing Committee on Collections.

None of the above reports requiring any action by the Board, they were noted and ordered filed.

Report of Special Committee appointed by the April, 1929, Governors' Conference to consider the "policy of Federal Reserve banks acting as custodians of securities, including bankers' bills, pledged to secure public deposits"; the Conference having voted to accept and file the report recommending that each Federal reserve bank should have the liberty to act in the capacity mentioned, if it desires to do so, as an accommodation to its member banks.

Noted.

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Report of the Sub-committee of the General Committee on Bankers' Acceptances, reviewing developments in acceptance credit business during the last several months and pointing out the activities of the General Committee on Bankers' Acceptances since the last Governors' Conference; among other things the Committee called attention to the fact that the Federal Reserve Board deferred ruling on the recommendation of the Committee that staple goods in process of conversion, in the hands of independent converters, might serve as the basis for secured credits under the warehouse provisions of the Act and Regulations.

After discussion, upon recommendation of the Governor, it was voted to remove from the table and to disapprove the proposed ruling, on which action was deferred at the meeting on October 31, 1929, to permit the use of bankers' acceptances secured by receipts covering readily marketable staples to finance the carrying of certain staples during the time they are being converted into other forms or processed by a converter or processor independent of the drawer, provided that the identity of the goods is not lost and the accepting bank remains secured by the independent converter's receipt.

Report to the Federal Reserve Agents' Conference of the Committee on Bank and Public Relations.

Ordered circulated.

Recommendation of the Governors' Conference that the Board indefinitely postpone the effective date of the proposed plan for the conversion of Canadian currency, the effective date of which was postponed by the Board on November 16, 1929, due to the then heavy discount on Canadian currency.

Discussion ensued during which it was pointed out that Canadian exchange is now quoted at above 99.50 and, upon recommendation of the Governor, it was voted to refer the matter to the Chief of the Division of Bank Operations, with instructions to revise the proposed letter to Federal Reserve banks, the proposed letter to member banks and the

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proposed press statement, for submission to the Board at such time as in his opinion the plan should be made effective.

Action of the Governors' and Federal Reserve Agents' Conferences in voting that each member of the Conference after his return home should give consideration to the article entitled "Eligibility of Paper for Rediscount at Federal Reserve Banks", prepared for publication in the Federal Reserve Bulletin, by the Chief of the Board's Division of Bank Operations and the Director of the Division of Research and Statistics.

The Governor reported that letters commenting upon the article are now being received from the various Governors and Federal Reserve Agents, and that when all of the comments have been received and analyzed the article, with such changes as appear to be desirable, will be submitted to the Board for final action.

Upon motion, it was voted that the article, when revised, be circulated among all members of the Board, together with the letters of comment received from the various Governors and Federal Reserve Agents.

Action of the Governors' Conference on the Board's letter, X-6405, dated October 31, 1929, on the subject of sending checks direct to drawee banks in other districts, the conference having adopted a resolution providing: "(1) That the Standing Committee on Collections be asked to give further consideration to the subject of sending checks direct to drawee banks in other districts, and to recommend to the next Conference an amendment to Regulation J which will permit Federal Reserve banks, at their option, to so effect collection of checks payable in adjoining districts, without making it mandatory upon any Federal reserve bank to adopt the practice.

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(2) That the Standing Committee on Collections outline to the Conference the mechanics of the procedure to be followed in the event that the amendment is adopted, to the end that the dangers incident to such a radical change may be overcome or at least minimized."

Noted, with approval.

Recommendation of the Federal Reserve Agents' Conference on the subject of the desirability of recommending to the Board that the requirements of eligibility of paper for rediscount by member banks be made more liberal, with suggestions as to changes in such requirements; the Conference having voted that it does not seem advisable or desirable at this time to recommend an amendment to the Federal Reserve Act making more liberal requirements as to eligibility.

Noted.

Action of the Governors' Conference with regard to the suggestion of the Conference of Auditors, held in March, 1929, that consideration be given to the desirability of requesting the American Bankers' Association to induce commercial banks to incorporate a specific maturity date in the body of customers' notes, instead of the present practice of having notes read "ninety days after date", etc.; the Governors' Conference recommending that no action be taken by the Board on the suggestion.

Noted, with approval.

Action of the Governors' Conference in voting it to be the sense of the Conference that the brokers' loan figures as published by the Board in their present form are subject to possible misunderstanding in that they represent only a part of the total volume of credit employed in carrying

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securities; the Conference expressing the opinion that it would be unwise to discontinue the publication of these figures at this time, but that consideration should be given to the advisability and practicability of relating these figures more closely to the figures for bank loans and securities.

Upon motion, it was voted to refer the above matter to the Chief of the Division of Bank Operations for report.

REPORTS OF STANDING COMMITTEES:

Dated, March 13th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

Dated, March 10th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

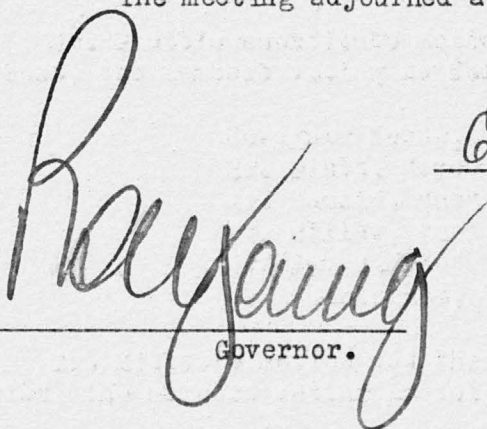
Recommendation approved.

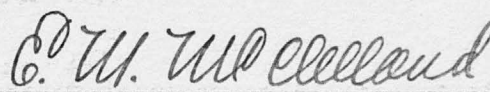
Dated, March 10th, Recommending approval of the application of Mr. James H. Perkins for permission to serve at the same time as director of the National City Bank of New York, New York, as director of the Central Farmers Trust Company of West Palm Beach, Florida, and as director of the Putnam Trust Company of Greenwich, Conn.

Approved.

The meeting adjourned at 3:45 p.m.

Approved:


Governor.


Assistant Secretary.