

A special meeting of the Federal Reserve Board with the Open Market Policy Conference was held in the office of the Federal Reserve Board on Tuesday, March 25, 1930 at 10:30 a.m.

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

PRESENT ALSO: Messrs. Paddock, Norris, Fancher, Seay,  
 McDougal, Martin, Geery, Worthington,  
 Talley and Calkins, members of the  
 Open Market Policy Conference.  
 Mr. Burgess, Acting Secretary, Open Market  
 Policy Conference.

In accordance with the action taken at the Conference meeting yesterday, the following reports were submitted and read by the Assistant Secretary:

"The Committee appointed at the meeting of the Federal Reserve Board with the representatives of the twelve Federal reserve banks yesterday, met at the Carlton Hotel last evening and adopted the attached revised draft of a proposed open market procedure.

"It was also voted to be the sense of the representatives of the Federal reserve banks present at the meeting that the representative of the Federal Reserve Bank of New York be elected Chairman of the Conference for one year; that the Executive Committee provided for in the proposed procedure should consist of the Chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia and Chicago for one year; also, that the Conference adopt the principle of reasonable rotation in the membership of the Executive Committee after the first year."

"(1) The Open Market Investment Committee, as at present constituted, to be discontinued and a new committee, to be known as the Open Market Policy Conference, to be set up in its place.

(2) The Open Market Policy Conference to consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference to meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference to be to consider, develop and recommend policies and plans with regard to open market operations.

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"(5) The time, character and volume of purchases and sales to be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, to be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales if recommended; any Federal reserve bank dissenting from the proposed policy to be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) A Committee of five to be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal reserve bank to have the right, at its option, to retire as a member of the Open Market Policy Conference; no member of the Conference to be considered as waiving any of its rights under the Federal Reserve Act with respect to the purchase and sale of securities, but each member of the Conference will respect its Conference obligations."

The Assistant Secretary also read the following memorandum left with the Board by Governor Young, who is this morning appearing before the Banking and Currency Committee of the House of Representatives:

"The Committee that was suggested yesterday afternoon to draft an open market procedure for the System met last evening at the Carlton Hotel and after much discussion and many compromises, the attached draft was finally approved unanimously by the committee. I believe that it meets many of the criticisms that were made by the various boards of directors, but not all. Nevertheless, I do believe that after the directors of the various reserve banks learn that their representatives have agreed to it unanimously that they will no doubt adopt it.

"The eighth section was included on my suggestion for certain specific reasons, which are as follows:

1. No board of directors would care to treat its responsibilities and duties under law in such a light manner as to assign those duties and responsibilities under all occasions and conditions, and I believe it advisable under the arrangement to specifically mention the rights that they have under the law.
2. From a practical standpoint, however, I do not believe that any Federal reserve bank would withdraw from representation in the Open Market Policy Conference except

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"with great reluctance, even though their board of directors may frequently dissent from the policy.

- "3. If one or several of the smaller banks should elect to withdraw, I still believe that the committee would be in a position to function. If, however, one or several of the larger Federal reserve banks should elect to withdraw, the probabilities are that the committee plan would have to be abandoned, and open market operations would have to be handled by regulation. Regardless of what has happened in the past, however, I believe this to be a very remote possibility.

"I realize that this procedure will not meet the approval of my colleagues in every detail, but I do believe that if this is approached in the same attitude of mind that the various committee members approached it last evening in conference, any objections will be trivial."

The revision submitted by the Committee, particularly the points of difference from the procedure adopted by the Board on January 16th, were thoroughly discussed. Several suggestions for changes were made with the result that the revised procedure was further amended so as to read as follows:

"(1) The Open Market Investment Committee, as at present constituted, is hereby discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, is set up in its place.

"(2) The Open Market Policy Conference shall consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

"(3) The Conference shall meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

"(4) The function of the Open Market Policy Conference shall be to consider, develop and recommend policies and plans with regard to open market operations.

"(5) The time, character and volume of purchases and sales shall be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

"(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, shall be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed policy shall be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

"(7) An Executive Committee of five shall be selected from and by the members of the Conference for a term of one year, with full power

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"to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

"(8) Each Federal Reserve bank participating in the Open Market Policy Conference shall be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank shall have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference shall respect its Conference obligations."

The meeting of the Open Market Policy Conference then adjourned, the Board, however, remaining in regular session.

The minutes of the meetings of the Federal Reserve Board held on March 19th and 20th were read and approved.

Matter approved on initials on March 20th, namely, application of the Niagara National Bank, Buffalo, N. Y., for original stock (300 shares) in the Federal Reserve Bank of New York, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Letter dated March 18th from the Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment on March 17th of the following rates for purchases of bankers acceptances:

1 to 45 days	-	3 1/8%
46 to 120 days	-	3 1/4%
121 to 180 days	-	3 5/8%

Without objection, noted with approval.

Letter dated March 17th from the Chairman of the Federal Reserve Bank of Dallas, advising of the establishment on that date of the following rates for purchases of bankers acceptances:

1 to 45 days	-	3 1/8%
46 to 120 days	-	3 1/4%
121 to 180 days	-	3 5/8%
Repurchase	-	3 1/4%

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Without objection, noted with approval.

Letters dated March 19th from the Secretary of the Federal Reserve Bank of Cleveland and March 20th from the Chairman of the Federal Reserve Bank of Dallas, advising of the establishment on those dates of the following schedules of buying rates:

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

Without objection, noted with approval.

Letter dated March 19th from the Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment on that date of the following schedule of buying rates:

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

Without objection, noted with approval.

Telegrams dated March 19th and 20th from the Deputy Governor of the Federal Reserve Bank of New York, the first advising of a further reduction in rates by bill dealers and the second advising of the establishment, effective March 20th, of the following rates for purchases of bankers acceptances:

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

Without objection, noted with approval.

Letter dated March 20th from the Secretary of the Federal Reserve Bank of New York, confirming the reduction in buying rates above referred to, and advising that the board of directors at a meeting on March 20th made no change

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in the bank's existing schedule of rates of discount and purchase, other than to vote to request the Board to reduce to 2 1/2% the rate established by it as the minimum buying rate for the purchase of bankers acceptances by the New York bank.

After discussion, upon motion, it was voted to defer action on the proposed minimum buying rate at New York until the next meeting of the Board.

Telegram dated March 19th from the Secretary of the Federal Reserve Bank of Richmond, advising of the establishment effective March 20th of the following rates for purchases of bankers acceptances:

1 to 45 days	-	3 1/8%
46 to 120 days	-	3 1/4%
121 to 180 days	-	3 1/2%

Without objection, noted with approval.

Telegram dated March 20th from the Deputy Governor of the Federal Reserve Bank of Boston, telegram dated March 20th from the Chairman of the Federal Reserve Bank at Chicago, telegram dated March 20th from the Governor of the Federal Reserve Bank at St. Louis and letter dated March 21st from the Secretary of the Federal Reserve Bank at Kansas City, all advising of the establishment of the following schedule of buying rates, effective March 20th:

1 to 120 days	-	3%
121 to 180 days	-	3 1/4%

Without objection, noted with approval.

Letters dated March 21st from the Secretary of the Federal Reserve Bank of Cleveland and the Chairman of the Federal Reserve Bank of Dallas, both advising of the establishment on March 20th and 21st, respectively, of the following buying rates:

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

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Without objection, noted with approval.

Matter approved on initials on March 20th, namely, telegram dated March 20th from the Chairman of the Federal Reserve Bank of San Francisco, advising that the board of directors at a meeting on that date voted to establish a rediscount rate of  $4\%$  on all classes of paper of all maturities, effective March 21st.

Upon motion, the rate of  $4\%$  established by the San Francisco directors was formally approved.

The Assistant Secretary called attention to the fact that the San Francisco directors also voted to establish a minimum buying rate of  $2\frac{3}{4}\%$ , and the following effective rates for purchases of bankers acceptances:

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

There being no objection, the effective rates established at the San Francisco bank were noted with approval, but it was voted to defer action on the proposed minimum buying rate of  $2\frac{3}{4}\%$ .

Telegram dated March 20th from the Assistant Federal Reserve Agent at Richmond, advising of the establishment of the following buying rates, effective March 21st:

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

Without objection, noted with approval.

Telegram dated March 19th from the Assistant Federal Reserve Agent at St. Louis, 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.

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Memorandum dated March 24th from the Chief of the Division of Bank Operations, submitting the resignation of Mr. Meredith F. Foster as clerk in the Division, effective April 12th, and requesting authority for the employment of a clerk to succeed him at a salary not to exceed \$1800 per annum.

Upon motion, the resignation was accepted and the authority requested was granted.

Letter dated March 20th from the Federal Reserve Agent at San Francisco, advising of the resignation of Mr. John F. Prah as Examiner at the San Francisco bank, which has been accepted, subject to the approval of the Board, effective April 1st.

Noted, with approval.

Memorandum dated March 22nd from the Comptroller of the Currency, advising that the services of the following temporary money counters in the Federal Reserve Issue and Redemption Division will be discontinued, effective April 15th:

Andrews, Mrs. Daisy M.	Moore, Mrs. E. N.
Connor, Mrs. Irene L.	Pearce, Mrs. Sophia
Gilliland, Mrs. Coletta A.	Rigdon, Mrs. Catherine
Helm, Mrs. Lydia M.	Schaeffer, Miss Hilda V.
Knoop, Mrs. Helen H.	Smith, Mrs. Mary M.
McFarland, Mrs. Mary A.	Snyder, Mrs. Mary L.
Matthews, Mrs. Amanda	Walsh, Miss Margaret

Noted.

In connection with the above matter, the Assistant Secretary reported that at the end of February the currency turnover, as to all kinds, was approximately 66 2/3% completed on the basis of dollar value and 80% as to number of notes. Federal Reserve notes outstanding on that date, he stated, were about 75% new size in number and 66 2/3% in dollar value. Average daily redemptions of old size Federal Reserve notes since the first of

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March have been around 750,000 notes, which makes it unnecessary to employ longer all of the temporary counters taken on in the Federal Reserve Issue and Redemption Division, it being planned to gradually reduce the temporary force as the redemptions decrease.

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of Atlanta of employees for whom the directors of that bank 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.

Upon recommendation of the Committee, the salary payments involved were approved.

Report of Committee on Salaries and Expenditures on letter dated March 17th from the Secretary of the Federal Reserve Bank of Atlanta, advising of vacation periods for the year 1930 fixed by the directors of that bank for officers and employees of the parent bank, branches and agencies.

Upon recommendation of the Committee, the action of the Atlanta directors was approved.

Letter dated March 19th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting monthly compilation of the amount of short term funds held in New York for foreign account, aggregating \$2,456,018,000 as of February 28, 1930.

Noted.

Letter dated March 20th from the Chairman of the Federal Reserve Bank of New York, advising of conditions and operations in the bill and Government security markets during the preceding week.

Noted.

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Letter dated March 20th from the Chairman of the Federal Reserve Bank of Philadelphia, advising of the reasons for the action of the board of directors of that bank on March 19th in reducing the discount rate.

Noted.

Memorandum dated March 20th from the Fiscal Agent, recommending that the Board approve payments aggregating \$5,988.46 to the Federal Reserve Banks of Boston, Philadelphia, Cleveland and Richmond, covering expenses and allowances of employees of those banks detailed to assist the Board's Examiner in the recent examination of the Federal Reserve Bank of New York.

Approved.

Report of Committee on Examinations on letter dated March 20th from the Assistant Federal Reserve Agent at Cleveland, recommending approval of the merger of the Home Trust Company, New Castle, Pa., a nonmember bank, with the Lawrence Savings and Trust Company of New Castle, a member.

Upon recommendation of the Committee, the merger was approved.

Report of Committee on Examinations on letter dated March 20th from the Federal Reserve Agent at Cleveland, requesting authority to make the usual credit investigation of the Union Savings Bank, Warren, Ohio, without charge, at the time that institution is under examination by State authorities.

Upon recommendation of the Committee, permission was granted for a representative of the Federal Reserve Agent to make the investigation referred to.

Discussion ensued regarding the activities of the various Federal Reserve Agents in connection with the examination of State member banks, at the conclusion of which Mr. Hamlin moved that the Board refer to the Committee on Examinations for investigation and report the question whether there is

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lack of substantial uniformity in the practices of the Federal Reserve Agents in making examinations and credit investigations of State member banks and in assessing charges therefor.

This motion being put by the Chair was carried, Mr. Cunningham voting "no", and Mr. Miller "not voting".

Mr. Miller then suggested that for the purpose of clarifying the provisions of the Board's letter of January 26, 1929, X-6223, on the subject of the examination of member banks a "credit investigation" be defined by the Board as an investigation made only for the purpose of ascertaining the loan policies and practices of a member bank.

After some discussion, upon motion by Mr. Miller, the question was referred to the Law and Examinations Committees for report, Mr. James voting "no".

Memorandum dated March 21st from Counsel, submitting draft of letter to the First Federal Foreign Banking Corporation, advising that the Board has voted to approve the cancellation of such of the 5% 5-year secured gold notes, Series A, of the corporation as may be acquired through purchase in the open market or through redemption in accordance with the terms of the trust indenture, provided that there is at all times maintained with the trustee proper collateral, having a market value of at least 125% of the principal amount of notes outstanding, as required by the trust indenture; Counsel suggesting that it would be advisable to add a further proviso to the effect that whenever the corporation withdraws collateral from the trustee it shall first withdraw collateral which has been criticized by the Board's examiners, and it shall not withdraw any uncriticized securities until all of the criticized collateral has been withdrawn.

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After discussion, upon motion, the Assistant Secretary was instructed to revise the proposed letter so as to state that the Board has noted that the corporation recently, at the request of the Board's Examiner, improved the character of the collateral held against its notes by pledging with the trustee listed securities in place of collateral which has been criticized by the Examiner, that the Board will expect a continuance of this course and, accordingly, when any collateral is withdrawn as a result of the cancellation of outstanding bonds, it shall be first in the form of the remaining securities which have been criticized.

Memorandum dated March 22nd from Counsel, submitting draft of reply to a letter from Stein Brothers and Boyce, Baltimore, Md., requesting certain information with reference to the First Federal Foreign Banking Corporation.

Approved.

Memorandum from Counsel dated March 20th, submitting draft of letter to the Federal Reserve Agent at Atlanta, advising that the Board will interpose no objection to an arrangement for the custody for a period of one year of \$5,000,000 of unissued Federal Reserve notes in the vaults of the Jacksonville Branch; the letter outlining for the information and guidance of the Federal Reserve Agent, the details of the arrangement recently authorized at the Pittsburgh Branch.

Upon motion, the letter was approved.

REPORTS OF STANDING COMMITTEES:

- Dated, March 21st, 22nd, 24th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, March 20th, 21st, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, March 20th, Recommending approval of the application of Mr. Percy Roden for permission to serve at the same time as director of the First National Bank & Trust Company of Yonkers, N. Y., and as director of the First National Bank of Ardsley, N. Y.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, March 20th, Recommending approval of the application of Mr. John H. Pace for permission to serve at the same time as director of the Atlantic National Bank of Jacksonville, Fla., and as director of the Palatka Atlantic National Bank of Palatka, Fla.

Approved.

Dated, March 20th, Recommending approval of the application of Mr. Michael B. Wells for permission to serve at the same time as director and officer of the National Exchange Bank of Milwaukee, Wis., and as director and officer of the Home Savings Bank of Milwaukee, Wis.

Approved.

The meeting adjourned at 1:00 o'clock.

*C. W. McClelland*

Assistant Secretary.

Approved:

*Edward Platt*  
Vice Governor.