

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, March 27, 1930 at 11:00 a.m.

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

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

Telegram dated March 26th from the Chairman of the Federal Reserve Bank of 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.

Memorandum dated March 24th from the Fiscal Agent, advising that his accounts and books on that day were examined by examiners of the United States General Accounting Office, who advise that no report will be made to the Board unless the Comptroller General has some recommendation to make concerning office procedure or method of keeping accounts.

After discussion of the desirability of the Board having a report from the General Accounting Office, regardless of whether or not it contains recommendations, the matter was referred to the Governor with power.

Letter dated March 20th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the resignation of Mr. Vernon H. Vawter, Class A Director of the bank for the term expiring December 31, 1930, which was accepted by the San Francisco directors on March 20th.

Noted.

Report of Committee on Examinations on letter dated March 25th from the Federal Reserve Agent at Cleveland, requesting permission for a repre-

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sentative of that bank to make the usual credit investigation of the Potter Title and Trust Company, Pittsburgh, Pa., without cost to the member bank, at the time it is under examination by the State authorities.

Upon recommendation of the Committee, the request was approved.

Report of Committee on Examinations on letter dated March 17th from the Assistant Federal Reserve Agent at San Francisco, recommending approval of a proposed reduction in the capital of the Pacific State Bank, South Bend, Washington, from \$100,000 to \$50,000, the released capital to be used to form a holding company which will take out of the bank certain bonds amounting to \$40,000 as well as other frozen assets aggregating about \$10,000.

Upon recommendation of the Committee, the capital reduction was approved on condition that no money be returned to the shareholders.

Report of Committee on Salaries and Expenditures on letter dated March 18th from the Chairman of the Federal Reserve Bank of Atlanta, advising of the action of the board of directors of that bank in voting to enroll as a member of the Central Marietta Street Association for a term of one year, dues for which would amount to \$675.00; the Committee reporting that it is not inclined to recommend approval of the expenditure.

After discussion, upon motion, it was voted to advise the Atlanta bank that on the basis of the information before the Board it does not feel that it would be justified in approving the action taken by the directors of the bank.

Memorandum from Counsel dated March 25th, transmitting draft of a letter to the Assistant Federal Reserve Agent at Cleveland, regarding surrender and cancellation of Federal Reserve bank stock standing in the name of the City National Bank and Trust Company of Dayton, Ohio, which has been

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placed in liquidation, as part of a plan of consolidation with certain other institutions in Dayton, and its assets transferred to the Union Trust Company of Dayton.

Approved.

Memorandum from Counsel dated March 18th, with regard to membership of the Plumas County Bank, Quincy, Cal., which inadvertently permitted its charter to expire on August 24th, 1928, and is being required by the State Banking Department to liquidate its affairs; Counsel submitting draft of a telegram to the Federal Reserve Agent at San Francisco, advising that the new Plumas County Bank, which is to be organized to take the place of the old institution and must apply anew for membership in the Federal Reserve System, may not lawfully become a member of the System and retain a branch in Portola, Cal. which has been operated for a number of years by the old bank.

After discussion, upon motion, it was voted to advise the Federal Reserve Agent at San Francisco that looking to the substance rather than to the strict legal form of the bank's reorganization, the Board will approve membership for the new institution, retaining the branch at Portola, provided its condition is otherwise satisfactory.

Letter dated March 24th from the President of the First National Bank, Boston, Massachusetts, inquiring whether the Board will examine, at its own expense, the First National Old Colony Corporation of Boston, which recently cancelled its agreement with the Board under Section 25 of the Federal Reserve Act since its stock is no longer held by the First National Bank, and is, therefore, not subject to examination by the Board.

A discussion ensued during which Mr. Drinnen, the Board's Examiner in Charge, and Mr. Pole, Comptroller of the Currency, were invited into the meeting.

Mr. Drinnen pointed out that the First National Old Colony Corporation is engaged in a strictly securities

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trading business and is not doing a foreign business as is contemplated in Section 25. He stated that he doubted the advisability of examination of the Corporation by the Board, adding that such an examination would mean at least one less Federal Reserve bank examination during the year.

The Comptroller of the Currency stated that while he is attempting to secure legislation permitting him to examine affiliates of National banks, in the absence of such legislation he is not sure that a voluntary examination of such a Corporation by the Board or by his office would be advisable.

At the conclusion of the discussion, the letter from the First National Bank was referred to the Governor for the preparation of a reply.

Memorandum dated March 21st from Counsel, submitting drafts of letters to the Chairmen of the House Committee on Banking and Currency for the signature of the Secretary of the Treasury and the Governor of the Board, regarding H. R. 10560, a bill to amend Section 22 of the Federal Reserve Act so as to make it a crime punishable under Federal law to circulate false reports concerning National banks or State member banks.

Approved.

Memorandum from Counsel dated March 22nd, submitting draft of letter to the Attorney General of the United States, transmitting information relating to certain irregular practices occurring at the Multnomah Commercial and Savings Bank, Multnomah, Oregon, a member of the Federal Reserve System, as well as a letter to the Federal Reserve Agent at San Francisco, advising of the reference and requesting him to bring the matter to the attention of the local United States Attorney.

Approved.

Memorandum from Counsel dated March 26th, submitting draft of letter

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to the Federal Reserve Agent at Richmond, with regard to membership for the Central Union Bank of South Carolina, which has recently taken over the assets of the Columbia National Bank of Columbia, S. C., and the National Union Bank of Rock Hill, S. C., and was incorporated with two principal places of business, one in Columbia and the other in Rock Hill; the reply stating that where a bank has two principal places of business, one of them must necessarily be classified as a branch and, accordingly, the Central Union Bank of South Carolina may not become a member of the System, except on relinquishment of its place of business either in Columbia or in Rock Hill.

Approved.

Application for membership by the Integrity Trust Company, Philadelphia, Pa., recently formed through the consolidation of the old Integrity Trust Company, a member bank, and the Market Street Title and Trust Company, a non-member, together with a report thereon by the Committee on Examinations pointing out that the old Integrity Trust Company after admission to the Federal Reserve System purchased certain shares of stock in other banks without the permission of the Board as required by one of its conditions of membership, which stock along with other shares held by the nonmember bank will be acquired by the new institution. A general discussion ensued as to whether the new institution should be required to dispose of the bank stock in question and, generally, whether the condition of membership referred to should be construed as affecting small purchases of stock where the purchasing bank clearly is not attempting to secure control of the institution whose stock is purchased.

At the conclusion of the discussion, upon motion,
the application of the Integrity Trust Company of Philadelphia

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for membership in the Federal Reserve System and for 10,193 shares of stock in the Federal Reserve Bank of Philadelphia was approved, subject to the regular conditions of membership but with a letter to the institution advising that the old Integrity Trust Company violated the terms of one of its conditions of membership in failing to secure the permission of the Federal Reserve Board before purchasing stock in certain other banks, and calling particular attention to the same condition of membership which is imposed upon the new institution.

On this motion, Mr. Miller voted "no".

Mr. James suggested that the Federal Reserve Agents at the various Federal Reserve banks be directed to examine the reports of examination of State member banks in their respective districts to ascertain how generally member banks have purchased stocks in other banks and trust companies and whether in making such a purchase any member bank has violated a condition of its membership in the Federal Reserve System.

After discussion, upon motion, the Assistant Secretary was directed to prepare and submit to the Board a letter to all Federal Reserve Agents along the lines of Mr. James' suggestion.

REPORTS OF STANDING COMMITTEES:

Dated, March 27th, Recommending a change in stock at a Federal Reserve bank as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 12:55 p.m.

Approved:

Raymond
Governor.

C. W. McElwain
Assistant Secretary.