

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, April 16, 1930 at 10:00 a.m.

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

The Governor suggested that before taking up the special order, the Board dispose of certain routine business before it.

Telegram dated April 15th from the Chairman of the Federal Reserve Bank of Chicago, advising of the election of Mr. M. W. Babb of Milwaukee, as Class B Director of the bank, for the unexpired term of Mr. A. H. Vogel, deceased, ending December 31, 1930.

Noted.

Bond in the amount of \$50,000, executed under date of April 12th by Mr. F. P. Maguire, recently designated as Acting Assistant Federal Reserve Agent at St. Louis.

Approved.

Letter dated April 15th from the Assistant Federal Reserve Agent at New York, advising of a proposed merger of the Bank of La Salle, Niagara Falls, N. Y., a nonmember, into the Power City Bank of Niagara Falls, a member, which will take place as of April 21st under the name of the latter institution.

Noted.

Report of Committee on Examinations on letter dated April 7th from the Assistant Federal Reserve Agent at Cleveland, recommending approval of an application of the Peoples Pittsburgh Trust Company of Pittsburgh, Pa., for permission to merge the East End Savings and Trust Company of Pittsburgh as

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of March 29, 1930; the Board's Committee also recommending approval.

Approved.

Letter dated April 10th from the Chairman of the Federal Reserve Bank of Boston, letter dated April 9th from the Chairman of the Federal Reserve Bank of Cleveland, letter dated April 14th from the Chairman of the Federal Reserve Bank of Richmond, letter dated April 4th from the Assistant Federal Reserve Agent at St. Louis, telegram dated April 14th from the Secretary of the Federal Reserve Bank of Minneapolis, letter dated April 12th from the Chairman of the Federal Reserve Bank of Kansas City, and letter dated April 8th from the Chairman of the Federal Reserve Bank of Dallas, all advising of action taken by their boards of directors in voting to accept participation in the Open Market Policy Conference under the plan recently approved by the Board; the advices from Cleveland, Richmond, Minneapolis, Kansas City and Dallas also stating that the Governor of the Bank has been designated as its representative on the Conference.

Noted.

The Assistant Secretary called attention to the fact that the telegram dated April 14th from the Secretary of the Federal Reserve Bank of Minneapolis also advises that the board of directors at its meeting on that date made no change in the bank's existing schedule of buying rates.

Without objection, noted with approval.

Letter dated April 8th from the Chairman of the Federal Reserve Bank of Kansas City, commenting upon the memorandum recently addressed to the Board by the joint committee representing banks in the Tenth District

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which have been petitioning for the establishment of a branch in Wichita, Kansas.

Noted.

Letters dated April 3rd and 7th from the Federal Reserve Agent at Boston, advising of the theft of payroll funds amounting to \$2,427.50; the letters advising that the loss has been reimbursed by the insurance company but that no clew to the thief has been discovered.

Noted.

Memorandum dated April 12th from Assistant Secretary Noell, recommending approval of changes in the interdistrict time schedule of the Federal Reserve Bank of Minneapolis, reducing from four to three days the time from Helena to St. Louis and from Helena to Los Angeles, the changes being agreeable to the Federal Reserve banks concerned.

Approved.

Memorandum from Counsel dated April 9th, submitting draft of letter to Mr. Frank A. Stivers, Ann Arbor, Michigan, regarding a protest made by certain directors and stockholders of the First National Bank and Trust Company of Ann Arbor, against interlocking directorates between that institution and the Ann Arbor Savings Bank; the proposed letter stating that Messrs. M. J. Fritz and Roy Hiscock, who are serving the two institutions, have not yet filed applications for the Board's permission, as they have been requested to do, but that when the applications are received the Board will be glad to grant the directors or stockholders of the First National Bank and Trust Company an opportunity to present such information as they desire before final action is taken.

Upon motion, the letter submitted by Counsel was approved.

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Memorandum from Counsel dated April 14th on letter dated April 10th from the First Federal Foreign Banking Corporation, requesting permission to increase its capital from \$2,215,300 to \$2,500,000; the letter also referring to an impairment of \$172,000 in the present capital of the Corporation and stating that in order to provide a proper reserve between the liquidating value and the book value of assets the Bush Service Corporation, the majority stockholder, will contribute to the Corporation the sum of \$283,000. In his memorandum, Counsel stated that there is no legal reason why the Board should not approve the increase in capital but that any such increase should, under the terms of the law, be fully paid in within ninety days after approval by the Board.

After some discussion, upon motion, it was voted to refer the proposed increase in capital to the Federal Reserve Agent at New York for recommendation.

Memorandum from Counsel dated April 11th, submitting draft of letter to the Federal Reserve Agent at Chicago, regarding the cancellation of Federal Reserve bank stock of liquidating National banks; the proposed letter advising that it is unnecessary for the Federal Reserve Agent to require certified copies of the resolution of stockholders authorizing the liquidation and resolution appointing the liquidating agent as these documents are always received by the Comptroller of the Currency before cancellation of Federal Reserve bank stock is approved by the Board.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated April 11th, submitting drafts of letters to the President of the Exchange National Bank, Ardmore, Okla., the Governor of the Federal Reserve Bank of St. Louis and the Governor of the Federal Reserve

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Bank of Kansas City, regarding the desire of the National bank to work out some arrangement whereby certain remittances from nonmember banks in the St. Louis district may be received and credited by the Federal Reserve bank to the account of the Exchange National Bank with the Federal Reserve Bank of Kansas City.

Upon motion, the letters submitted by Counsel were approved.

Memorandum from Counsel dated April 14th, approved by Mr. Cunningham, submitting draft of a letter to the Federal Reserve Agent at Chicago, for the signature of Mr. Cunningham, regarding three proposed amendments to the by-laws of the Chicago bank.

Upon motion, the proposed letter was approved.

Letter dated April 10th from the Chairman of the Federal Reserve Bank of New York, reviewing operations and conditions during the preceding week in the bill and Government securities markets.

Ordered circulated.

Letter dated April 12th from the Assistant Treasurer of the United States, advising that no applications were received from National banks during the quarter ending March 31st for the sale of bonds under Section 18 of the Federal Reserve Act.

Noted.

Telegram dated April 16th from the Deputy Governor of the Federal Reserve Bank of New York, advising of a further increase today in dealers rates on acceptances to 3 1/8% bid, 3% asked on maturities up to 90 days; 3 1/8%-3 1/4% bid, 3%-3 1/8% asked on 120 days; and 3 1/4%-3 3/8% bid, 3 1/8%-3 1/4% asked on five and six months, with endorsed bills 1/8% less except on very short

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maturities which can be bought at $3\frac{1}{2}\%$.

Noted.

Telegram dated April 16th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that the board of directors at a meeting today made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

At this point, with the Secretary of the Treasury in the Chair and the Comptroller of the Currency and Governor Harrison of the Federal Reserve Bank of New York also present, the Governor referred to the memorandum by Undersecretary of the Treasury Mills, regarding operations to be undertaken in the American market by the Bank for International Settlements, which he submitted at the meeting yesterday.

Governor Harrison stated that since his return to this country he has not had an opportunity of discussing the matter of International Bank operations with the directors of his own bank, which he expects to do at their meeting on Thursday, and that his participation in this preliminary discussion is merely for the purpose of exchanging informal views with the members of the Board which will be helpful to him when he takes the matter up with his own directors.

The general aspects of future relationships between the Bank for International Settlements and the Federal Reserve System were not considered, the discussion centering upon the question whether, and if so, in what manner, it would be advisable for the Federal Reserve Bank of New York to function under the provisions of Article 20 of the Statute of the Bank for International Settlements, which requires that before any financial operation is carried out by or on behalf of the Bank for International Settlements on a given market,

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the bank shall afford to the central bank or central banks directly concerned an opportunity to dissent.

The question of joint responsibility of the Board was also discussed, as to whether having determined that there is no occasion to dissent to an operation in the American market, the New York Bank before advising the Bank for International Settlements should submit the matter to the Board for action.

Reference was made to the arrangement which has been followed by the State Department for several years past, under which private bankers make no loans to foreign governments without first receiving a clearance from the Department which, it is understood, is based primarily upon international policy considerations. The opinion was expressed that any consideration given by the Federal Reserve Bank of New York or the Federal Reserve Board to proposed operations in this market by the Bank for International Settlements should be on strictly monetary and economic grounds, leaving determination of political questions to the Department of State under its existing or some other arrangement.

The Chairman and Mr. Pole then left the meeting.

Governor Harrison then referred informally to the following cablegram received by him under date of April 11th from Mr. Gates W. McGarrah in Paris, which, he stated, will be acted upon at the meeting of the New York Directors on Thursday:

"First meeting of Board definitely set for April 22. Believe it would be helpful if before that date you could advise me formally whether:

ONE You have any objection to the selection of the First National Bank New York as the financial institution to exercise the voting rights applicable to the Bank for International Settlements shares placed in America, this selection to be ef-

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"fective for one year or until a successor is appointed.

TWO Whether under Article 20 you object to the private distribution in your market by the banking group headed by J. P. Morgan & Company of 16000 B I S shares.

THREE Whether you have any objection to Bank for International Settlements instructing J. P. Morgan & Company to employ in the American market the proceeds of the sale of shares which will amount to approximately \$2,000,000 about 75% of which in early maturing long term investments to be selected by them and delivered to you for our account the remainder to be paid in cash to you for our account.

FOUR Whether you are willing to accept the custody of these securities and to invest this cash in prime bills.

FIVE Whether you are agreeable to the Bank for International Settlements opening a general account with you on the usual central bank terms.

SIX If so, would this extend to your acting as agent and correspondent for the Bank for International Settlements under paragraph L of Article 22 statute should occasion make it desirable or do you prefer that question of agency be deferred?"

At the conclusion of the discussion, Governor Harrison stated that he would be glad to return to Washington after the meeting of his directors and arrangements were made for him to again meet with the Board on Monday.

Governor Harrison then withdrew from the room.

The Governor referred to the Board's Annual Report for the year 1929 which, he stated, is ready to be returned to the printer for final copy. He stated that while unwilling to sign the Report itself he would sign the following letter of transmittal to the Speaker of the House of Representatives and, upon motion, this procedure was approved:

"Pursuant to the requirements of Section 10 of the Federal Reserve Act, I have the honor to submit the Sixteenth Annual Report, prepared by direction of the Federal Reserve Board, covering operations during the calendar year 1929."

It was then voted that the Report be presented to Congress on next Thursday, April 24th, and released to the press for publication in the morning papers of Friday, April 25th.

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REPORTS OF STANDING COMMITTEES:

Dated, April 15th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, April 16th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 1:15 p.m.

C. W. McClelland
Assistant Secretary.

Approved:

Raymond
Governor.