

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, April 21, 1930 at 10:30 a.m.

PRESENT: The Chairman
Governor Young
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Pole

PRESENT ALSO: Mr. McClelland, Asst. Secretary
Governor Harrison, Federal Reserve
Bank of New York
Dr. Goldenweiser, Director, Division
of Research and Statistics.

Under the special order of business for this meeting, relating to questions that may be asked the Federal Reserve Bank of New York under the statute of the Bank for International Settlements, the Governor referred to a cablegram to Governor Harrison under date of April 11th from Mr. McGarrah in Paris, a letter from Governor Harrison to the Board under date of April 17th and a telegram addressed to Governor Harrison by the Board on April 18th, all of which were read by the Assistant Secretary. The Governor reviewed for the information of the Chairman the Board's previous discussion of the question of its authority and responsibility in the premises.

Governor Harrison then referred to consideration given by his directors at their meeting on last Thursday to the matter of procedure by the New York bank, if and when it is asked whether it wishes to dissent to a proposed operation of the Bank for International Settlements in this market. He outlined that the New York bank not being in a position to act as issue house for the Bank for International Settlements, private bankers have been chosen, who, having sounded out the American market and having received a clearance from

4/21/30

-2-

the State Department under existing procedure, will then advise the Bank for International Settlements that they are prepared to go ahead with the operation; that the Bank for International Settlements before proceeding must ascertain whether the Federal Reserve Bank of New York cares to dissent, that upon inquiry the directors of the New York bank will consider the matter and, assuming they do not care to object, will draft a letter advising the Bank for International Settlements that in view of the state of the American market the Federal Reserve Bank of New York sees no reason why it should express any dissent to the proposed operation; that before transmitting this letter the directors will write the Federal Reserve Board, if desired, reciting the facts, and asking whether the Board cares to express an affirmative objection; that if not the letter of the New York bank to the Bank for International Settlements will be transmitted. He said that his directors had expressed the opinion that this would be the preferable procedure in the matter of an issue of reparations bonds.

With regard to the inquiries made in the cablegram from Mr. McGarrah, he stated that the New York bank's reply would probably say that the transactions referred to are of a kind concerning which the New York bank can have no grounds for expressing any dissent. He stated that he had discussed this phase of the matter with his directors on the understanding, which he has since been advised was not correct, that the Federal Reserve Board would not care to have the questions referred to in Mr. McGarrah's cable, other than that of opening an account for the Bank for International Settlements, referred to it.

During the general discussion which followed, the Chairman expressed the opinion that in replying to the cablegram along the lines suggested by Governor Harrison, no responsibility involves upon either the Federal Reserve

4/21/30

-3-

Board or the Federal Reserve Bank. He stated that, in his opinion, the statutes of the Bank for International Settlements can not place any responsibility upon the Board or the Bank.

In reply to an inquiry as to the position of the Administration, he stated that the Administration is not interested in any of the matters that are up for discussion now - those referred to in Mr. McGarrah's cablegram, - namely, the sale of \$2,000,000 of Bank for International Settlements stock in this market, the opening of an account by that Bank with the Federal Reserve Bank of New York and the naming of the First National Bank of New York to exercise voting rights on Bank for International Settlements shares distributed in this market. He stated that all of these matters were discussed with the President by Undersecretary Cotton on the part of the State Department and himself.

The Board recessed at 12:30 o'clock and reconvened at 3:00 o'clock, the same members being present as attended the morning session.

The matter of the opening of an account by the New York bank for the Bank for International Settlements was particularly considered. The majority of the members present were in favor of approving the action taken by the New York directors, as outlined in Governor Harrison's letter of April 17th, subject, however, to certain restrictions.

Governor Harrison was called into the meeting and stated that action by the Board as set out in the following proposed letter to him would, he thought, be agreeable to his bank:

"Reference is made to your letter of April 17, and you are advised that the Federal Reserve Board has approved the action of the Board of Directors of your bank in voting to authorize

4/21/30

-4-

"the officers to open and maintain a banking account on your books for the Bank for International Settlements, and to carry out operations in this market for the Bank for International Settlements along the same general lines and subject to the same terms and conditions as you do for foreign central banks having accounts with you; provided, that before any reciprocal account is opened with the Bank for International Settlements, the matter shall be taken up with the Federal Reserve Board for approval or disapproval.

"The Federal Reserve Board, in giving its approval to the opening of this account, wishes to call attention to the fact that in doing so it does not and cannot undertake to commit itself as to any future action which it may take on this or any similar question. It reserves the right to cause the account of the Federal Reserve Bank of New York for the Bank for International Settlements to be terminated at any time, if in its discretion it deems it proper to do so."

Governor Harrison then left the meeting and, upon motion, the action outlined in the above letter was adopted, the members voting as follows:

The Chairman "aye"
 Governor Young "aye"
 Mr. Platt, "aye"
 Mr. Hamlin, "aye"
 Mr. Miller, "aye"
 Mr. Pole, "aye"
 Mr. James, "no"
 Mr. Cunningham, "no"

The discussion then turned to the other matters referred to in Governor Harrison's letter of April 17th.

During the discussion, Mr. Miller moved that the New York bank be advised as follows:

"The Board notes that your directors, at their meeting on April 17, were of the opinion that there is no reason for your bank to express any dissent to the actions mentioned in the first three paragraphs of the cablegram addressed to you under date of April 11 by Mr. McGarrah in Paris. The Board cannot join in an expression of any opinion until its authority and responsibilities have been clarified by an opinion of the Attorney General of the United States. It, therefore, must leave your bank free to act for itself."

4/21/30

-5-

Mr. Miller's motion, being put by the Chair, was lost on a tie, the members voting as follows:

The Chairman, "aye"
 Mr. Platt, "aye"
 Mr. Miller, "aye"
 Mr. Pole, "aye"
 Governor Young, "no"
 Mr. Hamlin, "no"
 Mr. James, "no"
 Mr. Cunningham, "no"

After further discussion, the Governor was appointed as a committee of one to prepare a form of advice to the New York bank for submission to the Board tomorrow.

The meeting adjourned at 4:30 p.m.

C. W. McClelland
 Assistant Secretary.

Approved:

A. W. Hall
 Chairman.

[Handwritten signature]