

Upon call of the Governor, a meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, April 22, 1930 at 12:15 p.m.

PRESENT: Governor Young
 Mr. Platt
 Mr. Hamlin
 Mr. Miller
 Mr. James
 Mr. Cunningham
 Mr. McClelland, Asst. Secretary
 PRESENT ALSO: Dr. Goldenweiser, Director, Division
 of Research and Statistics

The Governor referred to the action of the Board yesterday in appointing him a committee of one to prepare a form of advice to the New York bank, regarding the attitude of the Board relative to certain inquiries made of the Federal Reserve Bank of New York by Mr. McGarrah in his cablegram of April 11th. He stated that he has not been able to prepare anything entirely satisfactory to himself and, therefore, requested that the matter be carried over until this afternoon.

Some discussion ensued following which the Board recessed and reconvened at 2:30 p.m., the same members being present as attended the morning session.

The Governor presented the following letter addressed to him by Governor Harrison, who is in Washington, submitting a proposed cable reply to Mr. McGarrah's cablegram of April 11th:

"Referring to my letter of April 17th, I am glad to enclose herewith for your information a copy of a cable addressed to Mr. McGarrah, paragraph 3 of which responds to the inquiries in the first three paragraphs of his cable of April 11th, previously handed to the Federal Reserve Board.

"You will notice that my proposed reply conforms to the action taken by the Board of Directors of the Federal Reserve Bank of New York at their meeting last Thursday. Its dispatch has been delayed only because

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"your telegram of April 18th indicated some misunderstanding, on my part, of the Federal Reserve Board's position with respect to the procedure to be followed by the Federal Reserve Bank vis-a-vis the Federal Reserve Board in such cases as this present one.

"In view of the fact that we have not as yet formulated any understanding as to this general question of procedure and in view of the need of a prompt reply to Mr. McGarrah's cable of April 11th, I feel it necessary, in accordance with the action taken by my directors last week, to dispatch the attached cable, unless the Federal Reserve Board advises that they want to dissent to the transactions referred to in the first three paragraphs of Mr. McGarrah's dispatch.

"I am proposing this procedure merely that a reply may be sent to Mr. McGarrah today, the date of his first Board meeting, pending a later understanding between the Federal Reserve Board and the Federal Reserve Bank of New York on this whole question of procedure."

PROPOSED CABLE TO MR. MCGARRAH

"Replying to your cable April 11th.

"One. F. R. Bank of N. Y. will be pleased to open an account for B. I. S. and to carry out operations for it along same general lines and subject to same terms and conditions as it does for foreign central banks having accounts with it.

"Two. We shall forward letter defining these terms and conditions in detail but in meantime you are advised that they would include transactions referred to in your paragraph four, as well as accepting cash balance mentioned latter part your paragraph three.

"Three. Regarding specific inquiries in first three paragraphs of your cable you are advised that inasmuch as the F. R. Bank of N. Y. is not in a position itself to accept any responsibility concerning the issue or voting of 16,000 shares of the B. I. S. in this market it can of course interpose no objection to the selection of some other institution or institutions in this country to exercise the voting rights on such shares, and the private issue of such shares and the investment of their proceeds in this market are transactions of a character concerning which the F. R. Bank of N. Y. can have no grounds upon which to express any dissent."

The Governor suggested that in lieu of the advice to the Federal Reserve Bank of New York which he was requested to prepare, the Board might advise Governor Harrison that without establishing any precedent for future transactions, it has no dissent to express with reference to the action of the New York directors or the contents of the proposed cable.

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Discussion of the matter ensued during which the Chairman and Mr. Pole joined the meeting.

Mr. Wyatt, General Counsel and Mr. Vest, Assistant Counsel, were called into the room and presented draft of a proposed letter to the Attorney General of the United States requesting an opinion on the question of the Board's authority and responsibility under the Federal Reserve Act, prepared under direction of Mr. Miller in accordance with authority granted at the meeting on April 19th.

Mr. James inquired whether any control over transactions of the Bank for International Settlements in the American market or in United States currency should be vested in the Federal Reserve Board or in one of the Federal Reserve banks. Mr. Wyatt replied that, if any such control is exercised by the Federal Reserve System, it ought to be exercised by the Federal Reserve Board and not by one of the Federal Reserve banks; because the Federal Reserve Board represents the country as a whole, whereas each Federal Reserve bank serves only its own Federal Reserve District.

The question was raised later whether this statement was intended as a legal conclusion; and Mr. Wyatt said his statement was not intended as a legal opinion but dealt with a matter of propriety - i.e., what he considered the proper procedure in view of the structure of the Federal Reserve System and the respective functions of the Federal Reserve Board and the various Federal Reserve banks. He explained further that the Federal Reserve Act did not create a central banking system in this country but created a regional banking system with twelve independent banks, each of which was intended to function within a certain well-defined portion of the United States; and that the only factor of

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centralization which is provided for in the Federal Reserve Act is the Federal Reserve Board, which was created for the purpose of supervising and coordinating the activities of the twelve Federal Reserve banks, in order that they may pursue a banking policy which shall be uniform and harmonious for the country as a whole. As to matters affecting the country as a whole, therefore, Mr. Wyatt said that the Federal Reserve Board should be consulted rather than any one Federal Reserve bank.

Governor Young moved that the following advice be transmitted to Governor Harrison of the New York Bank:

"Referring further to your letter of April 17th regarding the cablegram received by you under date of April 11th from Mr. McGarrah and to your letter of this date submitting a proposed cable reply to Mr. McGarrah you are advised that, without establishing a precedent for future transactions, the Board has no dissent to express with reference to the action of your directors or the contents of your proposed cable."

Governor Young's motion, being put by the Chair was carried, Mr. Cunningham not voting.

Further discussion then ensued with regard to the proposal that the Board request an opinion of the Attorney General of the United States, but no action was taken.

The minutes of the meetings of the Federal Reserve Board held on April 18th, 19th and 21st were then read and approved.

The Assistant Secretary presented a letter dated April 14th from the Secretary of the Federal Advisory Council, advising that the next meeting of the Council will be held in Washington on Tuesday, May 20th, and requesting that he be advised of any topics which the Board desires the Council to discuss.

Upon motion by Mr. James, it was voted to refer to the Council the question of relations with the Bank for International Settlements and the authority and responsibility of the Federal Reserve Bank of New York and

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the Board in the premises.

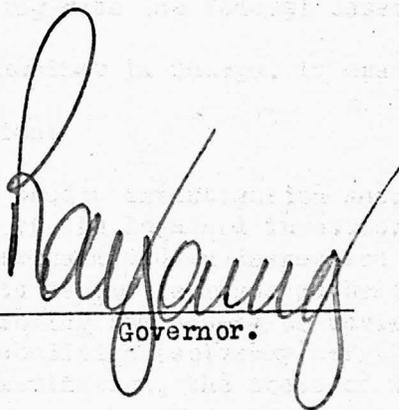
Upon motion, the question of further topics to be submitted to the Council was referred to the Vice Governor.

The Governor then advised of a suggestion received from the Governor of the Federal Reserve Bank of San Francisco, who is chairman of the Governors' Conference, that a Conference of Governors be held following the meeting of the Open Market Policy Conference tentatively fixed for May 5th. He stated that he has not yet heard from the Federal Reserve banks as to whether the proposed open market meeting on May 5th is agreeable to them, but suggested that if agreeable the Governors' Conference might be held on May 6th and 7th.

Upon motion, the matter was referred to the Governor with power.

The meeting adjourned at 4:15 p.m.

Approved:



Governor.



Assistant Secretary.