

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, April 23, 1930 at 11:20 a.m.

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

Mr. Cunningham referred to the action of the Board on March 25th in voting to refer to the Committee on Examinations for investigation and report the question of whether there is 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, in which connection, for the purpose of clarifying the provisions of the Board's letter of January 26, 1929 (X-6323) it was suggested that 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. He stated that at a conference this morning with the Federal Reserve Agents' Committee on Examinations and the Board's Examiner in Charge, it was voted to suggest to the Board the following definition:

"A credit investigation should be confined to an investigation of the loan and investment policies and practices of a member bank and an inspection and appraisal of such of the assets as are represented by its advances. Any further activity, in proving the assets or verifying the liabilities to determine the condition (solvency) of a member bank, is to be considered an examination, the costs of which must be assessed."

After some discussion, it was moved and voted that the Board tentatively adopt the following ruling:

"Any entry of a member bank made for the purpose of informing the Federal Reserve bank and the Federal Reserve Board (1) whether the member bank is complying with the terms of the

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"Federal Reserve Act, the Regulations of the Federal Reserve Board and the conditions of its membership in the Federal Reserve System and/or (2) as to the loan and investment practices and policies of the member bank and whether its uses of Federal Reserve credit facilities are consistent with the purposes of the Federal Reserve Act, as these have been or may be defined by the Federal Reserve Board, shall not be termed an examination."

The Committee on Examinations was requested to discuss the above ruling with the Agents' Committee and report to the Board later if it is felt that uniform operation is possible under it.

Matter approved on initials on April 19th, namely, telegraphic request from the Federal Reserve Agent at Cleveland for permission to make the usual credit investigation of the Union Banking Company, Columbiana, Ohio, without expense to the member bank, at the time it is under examination by State authorities.

Formally approved.

Memorandum dated April 18th from the Chief of the Division of Bank Operations, submitting statements showing the expenditures of Federal Reserve banks during the month of March and for the three months period ending March 31st for educational and welfare work, etc.

Ordered circulated.

Letter dated April 15th from the Chairman of the Federal Reserve Bank of Atlanta, advising that the firm of Randolph Parker and Fortson, General Counsel for the Atlanta bank will be dissolved, effective May 1, 1930, and that at the meeting of the directors on April 11th and 12th it was voted to employ, temporarily, Mr. Robert S. Parker as General Counsel at a salary of \$3,500 per annum with an additional compensation of \$1,500 per annum for clerk hire; the appointment to be effective May 1, 1930.

Upon motion, the salary fixed by the directors for Mr. Parker was approved.

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Letter dated April 18th from the Chairman of the Federal Reserve Bank of San Francisco, advising that at the meeting of the directors of the bank on April 17th, it was voted to accept participation in the proposed Open Market Policy Conference under the revised procedure as set out in the Board's letter of March 31st, 1930.

Noted.

Report of Committee on Examinations on memorandum dated April 16, 1930, from the Comptroller of the Currency, recommending approval of the application of the First National Bank of Graford, Texas, for permission to reduce its capital from \$50,000 to \$25,000 on condition that no money be returned to the stockholders, but that the amount of the reduction, together with a sufficient amount of the bank's undivided profits be used to eliminate losses of \$21,035.53 and to set up a surplus fund of \$10,000.

Upon recommendation of the Committee, the application was approved subject to the conditions recommended in the Comptroller's memorandum.

Reports of Executive Committee on letters dated April 18th from the Comptroller of the Currency, recommending approval by the Board of a salary of \$5,000 per annum for National Bank Examiner Enevold O. Detlefsen, assigned to the Second Federal Reserve District, and increases in the salaries of National Bank Examiners, as follows:

W. H. Baldrige	-	\$5200 to \$5700
James W. Austin	-	3300 to 3600
W. A. Cutler	-	3900 to 4200

Upon recommendation of the Committee, the proposed salary and increases were approved.

Letter dated April 15th from the Chairman of the Federal Reserve Bank of San Francisco, advising that, subject to the approval of the Federal Reserve

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Board, it has been decided by the Executive Committee of the bank that no election will be held of a Class A director to succeed Mr. Vernon H. Vawter, resigned, for the unexpired portion of the term ending December 31, 1930.

Noted, without objection.

Report of Committee on Examinations on letter dated April 21st from the Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, advising that from a survey of the latest examination reports of State member banks in that district, it has been found that four of these banks have purchased stocks in other banks and trusts companies in violation of one of their conditions of membership; the letter also submitting copy of letter dated April 19th from the Columbus Trust Company, Newark, N. J., one of the four banks, indicating a desire to obtain permission to retain the stocks so purchased by it.

Upon recommendation of the Committee, retention of the stocks listed in the Columbus Trust Company's letter of April 19th to the Federal Reserve Bank of New York was approved.

Letter dated April 22nd from the Assistant Federal Reserve Agent at the Federal Reserve Bank of New York, advising of the contemplated merger on or about June 1st, of the Utica National Bank and Trust Company and the Citizens Trust Company, both of Utica, N. Y. under the title of the Citizens Trust Company of Utica.

Noted.

Report of Committee on Examinations on letter dated April 19th from the Federal Reserve Agent at the Federal Reserve Bank of Atlanta, submitting a resolution adopted by the board of directors of the Columbus Bank and Trust Company, Columbus, Ga., requesting permission of the Federal Reserve Board

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to take over the assets and assume the liabilities of the Third National Bank of Columbus; the proposed merger contemplating an increase in the capital stock of the applicant bank from \$250,000 to \$850,000, and approval being recommended by the Executive Committee of the Atlanta bank.

Upon recommendation of the Committee on Examinations, it was voted to approve the request of the Columbus Bank and Trust Company for permission to merge the Third National Bank in accordance with the resolution submitted with the Agent's letter.

Letter dated April 16th from the Chairman of the Federal Reserve Bank of New York, reviewing conditions and operations in the Government securities and bill markets during the weekly period ending with that date.

Noted.

Memorandum from Counsel dated April 15th, recommending that a copy of the opinion rendered by the Supreme Court of Tennessee in the case of the First National Bank of Chattanooga vs. Chapman Company, be published in the forthcoming number of the Federal Reserve Bulletin.

Upon recommendation of the Law Committee, the publication of the opinion was approved.

Memorandum from Counsel dated April 16th, stating that advice has been received from the Department of Justice, to which was referred the matter of a possible violation of Section 22 of the Federal Reserve Act by Mr. C. J. Shepherd, while employed as Manager of the Los Angeles Branch, that prosecution for any criminal offense committed by Mr. Shepherd would now be barred by the Statute of Limitations; the memorandum also submitting draft of letter to the Agent at San Francisco advising of the position of the Department of Justice and stating that the Board does not consider it necessary for him to file any report with the local District Attorney.

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Upon recommendation of the Law Committee, the proposed letter was approved.

In accordance with action taken at the meeting on January 23rd, the Governor then submitted draft of a letter to the Chairman of the Federal Reserve Bank of Atlanta, regarding the contract of indemnity entered into by the Atlanta bank with reference to the Atlanta Trust Company.

After some discussion as to the advisability of stating in the proposed letter that the bank was within its lawful powers in entering into such contract of indemnity or whether the proposed reply should state that the bank may have been within its lawful powers, the proposed letter was referred to Mr. Miller for revision and resubmission to the Board.

Memorandum from Counsel dated April 22nd, recommending that inasmuch as the opinion requested from the Attorney General as to the legality of the Detroit office of the Equitable Trust Company of New York City, will, upon completion of the proposed merger of the Equitable Trust Company with the Chase National Bank, become merely an academic question, the Board advise the Attorney General if and when the consolidation of the Equitable Trust Company and the Chase National Bank takes place, that it no longer desires to have the opinion which it requested with regard to the legality of the Detroit office.

After discussion, upon motion, it was voted to so advise the Attorney General and Counsel was instructed to prepare the necessary letter for transmittal through the Secretary of the Treasury, upon receipt of notice of the completion of the proposed consolidation.

Memorandum from Counsel dated April 19th, recommending that there be published in the Federal Reserve Bulletin the following bills which have been signed by the President and are now law:

H. R. 9046, amending the fourth paragraph of Section 13 of the Federal Reserve Act so as to make the limitations upon the rediscount by Federal Reserve banks of the paper of one

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borrower conform more closely to the limitations on loans to one borrower by a National bank;

H. J. Res. 227, authorizing the erection of the Pittsburgh Branch building;

H. R. 8877, authorizing the Federal Reserve Board to waive notice by State banks and trust companies of intention to withdraw from membership;

And, also, in the event it becomes law, H. R. 6604, a bill to facilitate the cancellation of Federal Reserve bank stock held by a member bank which has ceased banking operations without a receiver or liquidating agent having been appointed.

Upon motion by the Law Committee, the recommendation of Counsel was approved.

Memorandum from Counsel dated April 10th, reviewing the replies received from the Federal Reserve Agents to the Board's letter of February 12, 1930, (X-6507) regarding the proposed plan adopted by the last Federal Reserve Agents Conference for the designation by member banks of officers to vote in elections of Class A and B directors; the memorandum stating that the Board may appropriately (1) decline to approve the uniform plan for designation of voting officers recommended by the Agents, (2) approve the plan recommended, (3) adopt the proposed plan with the qualification that where more than one officer is designated the second shall be designated to act in the absence or the disability of the first and the third in the absence or disability of the first and second, etc.

After discussion, upon motion, it was voted to approve the uniform plan as adopted by the Federal Reserve Agents.

Letter dated April 18th from the President of the First Federal Foreign Banking Corporation, submitting letter from the trust officer of the Chatham-Phoenix National Bank and Trust Company, certifying that the First Federal

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Foreign Banking Corporation has deposited with the trustee an amount equal to the principal, premium, and interest to July 15, 1930, of the outstanding First Federal Foreign Investment Trust, 5-Year, 5%, gold notes which are to be redeemed on July 15th, and stating that it is the understanding of the Corporation that it is now at liberty to exercise acceptance powers in accordance with the Regulations of the Board and Section 25 (a) of the Federal Reserve Act.

Noted.

The Governor then referred to the authority granted him at the meeting of the Board on December 6, 1929, to prepare and submit to the Board a revision of a proposed letter to the Attorney General of the United States, regarding the applicability of the provisions of Section 22 (a) of the Federal Reserve Act to State Bank Examiners, and recommended that inasmuch as a bill is now before Congress to amend the Federal Reserve Act so as to make Section 22 (a) expressly apply to State Examiners who examine State member banks and which would dispose of the question raised in the proposed letter to the Attorney General, that the matter be filed without action.

Upon motion, the Governor's recommendation was approved.

The Governor also referred to the proposed letter to the Chairman of the Board requesting whatever information he may have regarding the Board's responsibility in connection with contemplated offerings of reparations bonds in the United States, which letter was laid on the table at the meeting of April 15, and suggested that in view of recent discussion of the Board with regard to the Bank for International Settlements it would not now be necessary to transmit the letter, and that it be filed without action.



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Upon motion, the Governor's suggestion was approved.

The Assistant Secretary then referred to the close relationship of the work of the Board's Committee on group, chain, and branch banking to that of the Federal Reserve banks' committee on reserves which has the same personnel, and submitted to the Board a suggestion which has been made that the committee on branch, group, and chain banking be transferred to the Federal Reserve banks and given a status similar to that of the committee on member bank reserves.

After discussion, upon motion, the Governor was requested to communicate with all Federal Reserve banks, advising that, subject to their approval, the Board has voted to change the committee on group, chain and branch banking from a Board to a bank committee.

The Governor then referred to the proposed consolidation of the Equitable Trust Company and the Chase National Bank of New York City, and stated that in order to avoid the exorbitant tax on the present Paris Branch of the Equitable Trust Company which, after the merger, under French law, would be based on the entire earnings of the new institution, it is proposed either to organize a small independent National bank in New York which would take over the existing branch in Paris or to organize an Edge Act corporation to transact the business now conducted by the Paris branch.

It was the consensus of opinion that there would be no objection on the part of the Board to the operation of a branch in Paris by the new National bank, if organized. A discussion was also had, during which Messrs. Wyatt and Vest joined the meeting, as to restrictions upon suggested names for the contemplated Edge Act corporation, but no action was taken.

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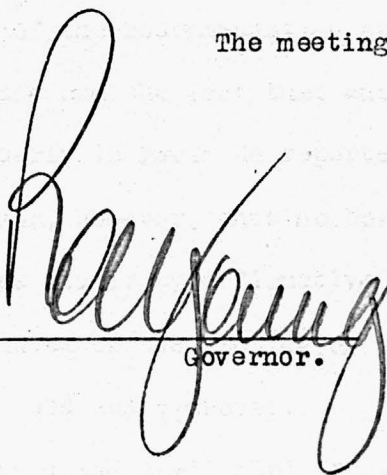
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REPORTS OF STANDING COMMITTEES:

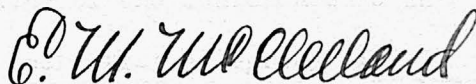
- Dated, April 18th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, April 17th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, April 18th, Recommending approval of the application of Mr. Charles Baird for permission to serve at the same time as director and officer of the Fidelity National Bank & Trust Company, Kansas City, Mo., and as director of the Interstate National Bank of Kansas City, Mo.  
Approved.
- Dated, April 19th, Recommending approval of the application of Mr. Michael H. Cahill for permission to serve at the same time as director and officer of the Plaza Trust Company of New York City, N. Y., as director of the Utica National Bank and Trust Company of Utica, N. Y., and as director of the Park Row Trust Company (organizing) New York, N. Y.  
Approved.
- Dated, April 21st, Recommending approval of the application of Mr. Charles K. Keath for permission to serve at the same time as director of the Lititz Springs National Bank of Lititz, Pa., and as director of the Colonial-Northeastern Trust Company, Reading, Pa.  
Approved.
- Dated, April 21st, Recommending approval of the application of Mr. Willard H. Pearsall for permission to serve at the same time as director and officer of the Park Row Trust Company of New York City, N. Y., and as director of the Flatbush National Bank of Brooklyn, N. Y.  
Approved.

The meeting adjourned at 12:45 p.m.

Approved:



Governor.



Assistant Secretary.