

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, April 30, 1930 at 11:30 a.m.

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

The Governor referred to a request of the directors of the Federal Reserve Bank of New York, made on March 20th, that the Board reduce to 2 1/2% the rate established by it as the minimum buying rate for purchases of bankers' acceptances by the New York Bank, which was taken under review by the Board and renewed by the New York directors on April 24th, on which date a motion to approve was made by Mr. Platt but action was deferred by the Board. The Governor stated that the market has now reached a point where for the past few days the New York Bank has been buying bills for foreign account at a lower rate than for itself; the result being that the only bills now coming to the Federal Reserve Bank are very short maturities offered by member banks.

The Governor presented a telegram, dated April 28th, from the Deputy Governor of the New York Bank, advising that open market rates have been reduced to the following: 1 to 60 days, 3 1/8% bid, 3% asked; 61 to 90 days, 3% bid, 2 7/8% asked; 91 to 120 days, 3 1/8% bid, 3% asked; 121 to 180 days, 3 1/4% bid, 3 1/8% asked; with endorsed bills 1/8% less.

He also reported that the English buying rate has again been reduced to 2 3/8% and expressed the opinion that the 3% minimum buying rate of the New York Bank should be lowered, even though it may be a forerunner of a reduction in the discount rate of the Bank.

In this connection, the Governor presented a letter dated April

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28th from Governor Harrison setting forth a summary of the principal factors which were considered by the directors of the New York Bank when they took action at their meeting last Thursday with respect to the discount rate.

Considerable discussion then ensued during which some members of the Board expressed their objection to a reduction in the minimum buying rate to $2\frac{1}{2}\%$, for the reason that it will probably force an early reduction in the discount rate, which they are unwilling to approve under present conditions and while the System maintains its present heavy portfolio of Government securities. They indicated that with a withdrawal of Federal Reserve funds from the market, through the sale of Government securities, a reduction in the discount rate might be justified.

The Chairman expressed himself as favoring a reduction in both the minimum buying rate and the discount rate.

At the conclusion of the discussion, the Chairman called up for action the motion made by Mr. Platt at the meeting on April 24th that a minimum buying rate of $2\frac{1}{2}\%$ be approved by the Board, as requested by the New York directors.

Mr. Hamlin moved, as a substitute, that the minimum buying rate of $2\frac{1}{2}\%$, requested by the New York directors, be held under review and that the Board determine the minimum buying rate of the New York Bank to be $2\frac{3}{4}\%$.

Mr. Hamlin's substitute motion, being put by the Chair, was carried, the members voting as follows:

The Chairman, "aye"

Governor Young, "aye"

Mr. Hamlin, "aye"

Mr. Miller, "no"

Mr. Cunningham, "no"

The Governor then referred to the request of the directors of the Federal Reserve Bank of San Francisco for approval of a minimum buying rate

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of 2 3/4%, which was taken under review by the Board on April 7th.

Upon motion, it was voted to approve a minimum buying rate of 2 3/4% for the San Francisco bank.

On this motion, the members voted as follows:

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

The meeting recessed at 1:15 p.m. and reconvened at 2:30 p.m. The Secretary of the Treasury was not present but Mr. Platt was in attendance.

The Governor reported a telephone conversation with the Governor of the Federal Reserve Bank of New York, during which he was advised that the bank is today making an official announcement of the appointment of Mr. W. R. Burgess as a Deputy Governor. The Governor stated that Mr. Burgess has resigned as Assistant Federal Reserve Agent and it is his understanding that his resignation will be officially communicated to the Board later.

The Governor also reported that he had been advised by Governor Harrison that a reduction of 1/8% to 2 7/8% in the effective buying rates on bills at the bank will probably be made this afternoon but that no public announcement of the reduction was contemplated as that might be taken as an indication of an intention to reduce the discount rate tomorrow. The Governor further stated that cable advice has just been received by the New York bank that the Bank of England will probably reduce its discount rate tomorrow.

The Governor then reported that in accordance with action taken at the meeting on April 19th, he had endeavored to arrange an open market meeting on or about May 5th, but because of the inability of certain Governors

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to attend a meeting around that date he had found it necessary to cancel arrangements and had advised the Governors that a definite date would be fixed later.

Matters approved on initials on April 28th, namely, applications of the City National Bank, Greeley, Nebraska (20 shares) and the St. Paul National Bank, St. Paul, Nebraska (30 shares) for original stock in the Federal Reserve Bank of Kansas City, approval effective if and when the Comptroller of the Currency issues certificates of authority to the banks to commence business.

Formally approved.

Matter approved on initials on April 29th, namely, application of the Bremen Bank and Trust Company, St. Louis, Mo. for membership in the Federal Reserve System and for 540 shares of stock in the Federal Reserve Bank of St. Louis; the membership committee of the Reserve bank and the Board's Committee recommending approval subject to the regular conditions of membership and also three special conditions as follows:

"8. Such trust company shall reduce to an amount equal to 10 per cent of its capital and surplus all balances in excess thereof, if any, which are carried with banks or trust companies which are not members of the Federal reserve system, and shall at all times maintain such balances within such limits.

"9. Such trust company may accept drafts and bills of exchange drawn upon it of any character permitted by the laws of the State of its incorporation; but the aggregate amount of all acceptances outstanding at any one time shall not exceed the limitations imposed by section 13 of the Federal reserve act, that is, the aggregate amount of acceptances outstanding at any one time which are drawn for the purpose of furnishing dollar exchange in countries specified by the Federal Reserve Board shall not exceed 50 per cent of its capital and surplus, and the aggregate amount of all other acceptances, whether domestic or foreign, outstanding at any one time shall not exceed 50 per cent of its capital and surplus, except that the Federal Reserve Board, upon the application of such trust company, may increase this limit from 50 per cent to 100 per cent of its capital and surplus: provided, however, that in no event shall the aggregate amount of domestic acceptances outstanding at any one time exceed 50 per cent of the capital and surplus of such trust company.

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"10. The board of directors of said trust company shall adopt a resolution authorizing the interchange of reports and information between the Federal reserve bank of its district and the banking authorities of the State in which such trust company is located."

Formally approved.

Matter approved on initials on April 29th, namely, application of the Bremen Bank, St. Louis, Mo., for surrender of 420 shares of stock in the Federal Reserve Bank of St. Louis, effective if and when the business of the bank has been dissolved and the institution succeeded by the Bremen Bank and Trust Company.

Formally approved.

Telegram dated April 25th from the Chairman of the Federal Reserve Bank of Chicago and telegram dated April 24th from the Chairman of the Federal Reserve Bank of Kansas City, both advising that at meetings of their boards of directors on the dates stated no change was made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated April 28th from the Board's Chief Telegraph Operator, approved by the Assistant Secretary, requesting authority to employ a vacation relief operator during July and August at a salary of \$165 per month.

Upon motion, the authority requested was granted.

Memorandum dated April 10th from Mrs. M. D. Miles, a clerk in the Board's Member Bank Section, requesting leave of absence without pay from July 19, 1930 to August 19, 1930.

Approved.

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Letter dated April 26th from the Comptroller of the Currency, advising that he has approved the termination, as at the close of business April 30, 1930, of the services of 13 temporary money counters in the Federal Reserve Issue and Redemption Division; also that one of these, Mrs. Henrietta Brinker, has been reappointed and advanced as clerk-counter on the permanent rolls, effective May 1, 1930.

Noted, with approval.

Matter approved on initials on April 24th, namely, letter dated April 23rd from the Comptroller of the Currency, recommending approval by the Board of a salary of \$2,700 per annum for National Bank Examiner R. M. Seabury, assigned to the Fifth Federal Reserve District.

Formally approved.

Report of Executive Committee on letter dated April 25th from the Comptroller of the Currency, recommending an increase in the salary of National Bank Examiner R. G. Finney from \$3,600 to \$4,500 per annum.

Upon recommendation of the Committee, the increase was approved.

Letter dated April 21st from the Federal Reserve Agent at San Francisco, with regard to withdrawal from membership of the Thatcher Brothers Company, Logan, Utah and the Anderson Brothers Bank, Idaho Falls, Idaho, both of which are controlled by the First Security Corporation of Ogden, Utah.

Ordered circulated.

Report of Committee on Examinations on letter dated April 25th from the Assistant Federal Reserve Agent at New York, transmitting a request of the Colonial Trust Company of Newark, N. J. for permission to retain in its

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assets certain bank stocks purchased by it in violation of one of its conditions of membership.

Upon recommendation of the Committee, the permission requested was granted.

Report of Committee on Examinations on letter dated April 25th from the Federal Reserve Agent at Cleveland, requesting permission to have a representative of that bank make the usual credit investigation of the First Citizens Trust Company, Columbus, Ohio, the Citizens Banking Company and the Conneaut Mutual Loan and Trust Company, both of Conneaut, Ohio, without cost to the member banks, at the time they are under examination by State authorities; the Board's Committee recommending approval.

Approved.

Letter dated April 25th from the Chairman of the Federal Reserve Bank of Chicago, advising that at the regular meeting of the board of directors of that bank it was unanimously voted to accept participation in the proposed Open Market Policy Conference under the revised procedure and that the Governor was designated to represent the bank at meetings of the Conference, and, in the event of his absence or disability, a Deputy Governor would be designated to act in that capacity.

Noted.

Letter dated April 23rd from the Federal Reserve Agent at New York, reviewing conditions and operations in the Government securities and bill markets for the week ending with that date.

Noted.

The Governor then reported that advice has now been received from all of the Federal Reserve banks approving the action taken at the meeting

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of the Board on April 24th in voting to change the Board's committee on group, chain and branch banking from a Board to a bank committee, and suggested that the transfer be made as of May 1st and that Mr. J. H. Riddle, Secretary of the Committee, be removed from the Board's rolls as of the close of business today, his salary to be paid beginning May 1st by the New York bank in the same manner as that of Mr. Riefler, who is serving as Secretary of the banks' committee on member bank reserves.

Upon motion, the recommendation of the Governor was approved.

Memorandum from Counsel dated April 3rd, regarding letter dated March 26th from the President of the National City Bank of New York, advising that for administrative purposes it had been found desirable to concentrate the stock of the subsidiary corporation of that bank in the International Banking Corporation, the stock of which is owned by the National City Bank; Counsel's memorandum stating that since the bank has not increased its investments in any of these corporations and as it is not necessary that the Board's approval of these changes in stock ownership be secured under the provisions of Section 25 of the Federal Reserve Act, there appears to be no action required by the Board at this time.

Noted.

Memorandum from Counsel dated April 24th, submitting draft of letter to the Vice President of the National City Bank of New York in reply to his letter of April 22nd, advising that the bank has purchased the property and assets of the American Colonial Bank of Porto Rico, together with its branches, that it is intended to transfer certain of the functions of its present San

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Juan Branch to a building thus acquired directly across the street from the Branch, and inquiring as to whether it is necessary to make a new application to the Board for permission to establish offices in such building; the proposed reply stating that if it is proposed to operate only one branch in the city of San Juan, no further application will be necessary but if separate branches are to be maintained a new application should be made to the Board for permission to establish the new branch.

Upon motion, the proposed letter was approved.

Memorandum from Counsel dated April 25th, submitting draft of a proposed letter to the Federal Reserve Agent at Chicago in reply to his letter of April 19th, transmitting and recommending disapproval of Clayton Act application of Mr. Rawleigh Warner for permission to serve at the same time as director of four banks in the Seventh Federal Reserve District; the proposed reply requesting a recommendation from the Federal Reserve Agent as to whether, in his opinion, the Board may properly grant permission to Mr. Warner to serve in three of the banks set out in his application if he severs his connection with the fourth institution, the letter also correcting an apparent misunderstanding of the Agent as to common ownership of the stock of two of the banks, which might bring one of them within an exception to the Clayton Act.

Upon motion, the proposed letter was approved.

Memorandum from Counsel dated April 24th, advising of the status of Senate Res. #71 which authorizes, among other things, a complete survey of the Federal Reserve System and the National Banking System.

Ordered circulated.

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Memorandum from Counsel dated April 28th, advising that the agreement submitted by the Federal Reserve Agent at Atlanta in his letter of April 25th covering the custody of the stock of unissued Federal Reserve notes at the Jacksonville Branch, approved by the Board on March 25th, is in accordance with the procedure previously approved by the Board.

Upon motion, Mr. Newton's letter and the agreement were noted and ordered filed.

Memorandum from Counsel dated April 28th, submitting, in accordance with the action taken by the Board at the meeting on April 23rd, draft of circular letter to all Federal Reserve banks advising that the Board has approved the uniform plan recommended by the Federal Reserve Agents at the Fall Conference for the designation by member banks of officers to vote in elections of Class A and B Directors, under which a number of different officers would be authorized for this purpose by title only and not by name; the proposed letter to be accompanied by a suggested form for use by member banks in designating officers to vote in accordance with the plan approved.

Upon motion, the letter as submitted by Counsel was approved.

Memorandum from Counsel dated April 24th, submitting draft of letter to the Comptroller of the Currency, in reply to his letter of April 18th inquiring whether a form which the Hollywood National Bank of Hollywood, California proposes to use in connection with the business of investing funds for its customers should be regarded as establishing a trust relationship which may be assumed by a National bank; the proposed reply stating that this instrument may not properly be classified definitely either as establishing an agency or a trusteeship, and it seems doubtful whether a National bank

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not having a trust permit from the Board could act in this capacity, but since the latter question is one involving the corporate powers of National banks the Board understands it is a matter upon which the Comptroller's decision is controlling and, accordingly, expresses no definite opinion thereon.

Upon motion, the proposed letter was approved.

Report of Committee on Examinations dated April 23rd, stating that, in accordance with the action taken at the meeting of the Board on that date, the Committee had discussed with the Federal Reserve Agents' Committee the ruling tentatively adopted by the Board defining a credit investigation and that it was agreed that the Agents' Committee should submit the Board's ruling to all Federal Reserve Agents for the purpose of securing their reactions thereto, following which the matter will again be taken up with the Board for final action; and that it was the consensus of opinion that the matter of determining some uniform basis for assessing costs of examination might well be held in abeyance for the time being in view of the status of the amendment to the law which has been recommended by the Board which would give it discretion to waive examination costs.

Noted.

The Assistant Secretary then reported that, in accordance with the action taken at the meeting on April 16th, the request of the First Federal Foreign Banking Corporation for permission to increase its capital stock from \$2,215,300 to \$2,500,000 had been referred to the Federal Reserve Agent of New York, who advises that he is inclined to recommend favorable action on the request in view of the subsequent change of control and the promise

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of the Bush Service Corporation to contribute \$283,000 to the applicant to restore its capital and provide a surplus.

Accordingly, upon motion, it was voted to approve the request of the First Federal Foreign Banking Corporation for permission to increase its capital from \$2,215,300 to \$2,500,000, the attention of the Corporation to be called to the fact that Section 25 (a) of the Federal Reserve Act requires that any such increase shall be fully paid in within ninety days after approval by the Federal Reserve Board.

Report of Committee on Examinations on application of the Canal Bank and Trust Company, New Orleans, La. for permission to accept drafts drawn upon it by banks and bankers in certain foreign countries for the purpose of creating dollar exchange; approval of the application being recommended by the Governor, Federal Reserve Agent and Assistant Federal Reserve Agent of the Federal Reserve Bank of Atlanta and the Board's Committee on Examinations.

Upon motion, permission was granted to the Canal Bank and Trust Company to accept drafts drawn upon it by banks and bankers in those countries previously approved by the Board.

Dr. Miller then submitted, in accordance with the request of the Board at the meeting on April 23rd, draft of a letter to the Chairman of the Federal Reserve Bank of Atlanta, regarding the contract entered into by that bank under which it agreed to indemnify the Citizens and Southern National Bank of Atlanta against any loss, not to exceed \$200,000, incurred by that bank as a result of its taking over substantially all of the assets and assuming the deposit liabilities of the Atlanta Trust Company; the proposed letter stating that aside from the question of legal power, the Board believes that from an administrative and public viewpoint the action of the Atlanta bank, if passed over without comment by the Board, might result in establishing a

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precedent which would work to the serious embarrassment of both the bank and the Board; that the Board believes unusual matters of this kind should be referred to it before commitments are made and requests the bank to govern itself accordingly in the future.

Upon motion, the letter was approved as submitted.

The Governor then submitted draft of a letter to the Governor of the Federal Reserve Bank of St. Louis, regarding a gift in December, 1929, by the Little Rock Branch, under authority from the head office, of five dollars to each officer and employee, which amount was authorized to be spent during the year for entertainment of the employees of the branch, it being the desire of the Managing Director to make a like distribution this year; the proposed letter stating that while the amount involved is insignificant the Board believes the giving a gift or paying a bonus would revive a practice which was discontinued in the System several years ago for very good reasons, and, therefore, the payment of bonuses or making of gifts will not be approved in the future.

Upon motion, the proposed letter, subject to approval by Mr. James, was approved and ordered transmitted.

The Committee on Salaries and Expenditures then submitted a detailed memorandum dated April 23rd, reviewing the personnel classification plans, submitted by the Federal Reserve Bank of New York for its Buffalo Branch and by the Federal Reserve Banks of Richmond, St. Louis, Kansas City, Dallas, San Francisco and their branches; the Committee recommending that the plans be approved as submitted, and that each of the banks concerned be advised as follows:

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"1. The bank is authorized to hire any employee and to promote or demote such employee without first securing the Board's approval with the understanding that the salary paid the employee must not exceed, without the Board's specific approval, the maximum salary provided in the classification plan for the position occupied.

"2. No change should be made in the personnel classification plan without the approval of the Federal Reserve Board.

"3. The Board will require the banks to submit to it for approval on or about January 1 of each year a statement showing the salary of each employee of the bank."

After discussion, upon motion, the recommendation of the Committee was approved.

REPORTS OF STANDING COMMITTEES:

Dated, April 24th, 25th, 28th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, April 26th, 29th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, April 23rd, Recommending action on an application for admission of a State bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date. Recommendation approved.

Dated, April 26th, Recommending approval of the application of Mr. Michael Brisch for permission to serve at the same time as director of the Crawford State Bank of Chicago, Illinois and as director of the Atlas Exchange National Bank of Chicago, Ill.

Approved.

Dated, April 28th, Recommending approval of the application of Mr. George H. Gray for permission to serve at the same time as director of the Fort Greene National Bank in New York, of Brooklyn, N. Y. and as director of the Midwood Trust Company of Brooklyn, N. Y.

Approved.

Dated, April 26th, Recommending approval of the application of Mr. Arthur S. Somers for permission to serve at the same time as director of the Manufacturers Trust Company of New York, New York, and as officer and director of the National Exchange Bank and Trust Company of New York, New York.

Approved.

Dated, April 28th, Recommending approval of the application of Mr. George F. Trommer for permission to serve at the same time as director of the Citizens Bank of Brooklyn, N. Y., and as director

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REPORTS OF STANDING COMMITTEES: (Cont'd)

of the Peoples National Bank of Brooklyn, N. Y.
Approved.

The meeting adjourned at 3:05 p.m.

G. W. W. Cleveland
Assistant Secretary.

Approved:

Ray Young
Governor.