

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 15, 1930 at 12:00 o'clock noon.

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

The Governor referred to the suggestion made at the meeting yesterday by Governor Harrison of a meeting soon of the Open Market Policy Conference or the Executive Committee of the Conference. He also referred to the apparent intention of the New York bank to initiate in the near future a policy looking toward further ease of the credit situation through purchases of Government securities. He expressed the opinion that a meeting of the Open Market Policy Conference would probably be advisable in order that all Federal Reserve banks may be informed of the program which the New York bank seems to have in mind and stated that if the members of the Board have no objection he will call a meeting for Wednesday, May 21st. Discussion ensued during which some members of the Board expressed doubt as to whether any benefits will accrue from an open market meeting at this time unless some definite recommendations are to be submitted and that they personally would be opposed to any program of Government purchases. Other members, however, agreed with the Governor that all Federal Reserve banks should be kept informed of possible future developments.

Mr. Hamlin moved that a meeting of the Open Market Policy Conference be called for Wednesday, May 21st.

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

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Governor Young, "aye"  
Mr. Hamlin, "aye"  
Mr. Miller, "aye"  
Mr. James, "no"  
Mr. Cunningham, "no"

Mr. Cunningham stated that, in his opinion, it is yet too early to have a conference to discuss purely the question of a further easing of the credit situation, although it might be very advisable to have one not later than the middle of July.

Letter dated May 12th from Mr. John S. Wood, accepting and expressing his appreciation of appointment by the Board as Class C Director, Chairman and Federal Reserve Agent at the Federal Reserve Bank of St. Louis; Mr. Wood stating that he will be glad to qualify for, and assume office as soon as the Comptroller of the Currency feels he can be released from service in that Department and that he understands the Comptroller will confer with the Board relative to the matter of designating a definite date.

Noted.

Report of Committee on Examinations on letters dated May 13th from the Federal Reserve Agent at Chicago, requesting permission to have representatives of his department make credit investigations, without charge, of certain State member banks listed, at the time they are under examination by State authorities; the Board's Committee recommending approval.

Approved.

Memorandum dated May 13th from Counsel, submitting draft of letter to Mr. Rawleigh Warner, with regard to his application for permission to serve at the same time as director of the Central Trust Company, The Drovers National Bank and The Drovers Trust and Savings Bank, all of Chicago, Illinois, and as director of the City National Bank and Trust Company, Evanston, Ill.;

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the letter stating that the Board can not grant its permission to anyone to serve more than three banks coming within the provisions of the Clayton Act, and that it will permit him to serve any three of the banks included in his application, provided he severs his connection as a director of the fourth bank set out therein.

Upon motion, the letter submitted by Counsel was approved.

Memoranda from Counsel dated May 14th on the matter referred to him at the meeting on May 2nd, namely, memorandum from the Board's Examiner in Charge, regarding irregularities of Mr. Edward W. Reese while an employee of the Atlantic Corporation of Boston, Massachusetts; Counsel submitting drafts of letters to the Attorney General of the United States and the Commissioner of Banks of the State of Massachusetts reporting the facts of the case.

Upon motion, the letters submitted by Counsel were approved.

Memorandum from Counsel dated May 14th, submitting draft of telegram to the Federal Reserve Agent at Cleveland, with regard to withdrawal from membership of the Peninsula Banking Company, Peninsula, Ohio; the telegram stating that the Board is unwilling to waive six months' notice of intention to withdraw by any State member bank unless unusual circumstances are involved in the case which make it desirable to do so, and requesting that he furnish the Board with a full statement of the reasons for the recommendations made by his office that the six months' requirement be waived in the case of the bank named.

Approved.



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Report of Committee on Examinations on letter dated May 7th from the Assistant Federal Reserve Agent at St. Louis, transmitting and recommending approval of an application of the Guaranty Bank and Trust Company, St. Louis, Mo., for a reduction in its reserve requirements from 10% to 7% of demand deposits under the provisions of Section 19 of the Federal Reserve Act; the Committee submitting a divided report thereon - Mr. Platt recommending approval and Mr. Cunningham reporting that he is not willing to approve the application.

A discussion ensued centering particularly upon the corporation accounts carried with the applicant bank amounting to 67% of its total deposits, and the fact that 80% of the total corporation deposits are concentrated in three accounts.

At the conclusion of the discussion, upon motion, it was unanimously voted to deny the application.

The minutes of the meeting of the Federal Reserve Board held on May 14th were read and approved.

Discussion ensued regarding the procedure outlined by Governor Harrison at the meeting yesterday to be followed by the New York Bank, in connection with the pending issue of reparations bonds in this country.

The proposed letter to the Attorney General of the United States, requesting an opinion as to the responsibility of the Board in the matter, on which no action was taken at the meeting on April 22nd, was again brought before the Board, and Mr. James submitted the following motion:

"Whereas, the Bank for International Settlements has come into existence since the enactment of the Federal Reserve Act and obviously Congress has not given any con-

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"sideration to its relationships with American institutions, particularly, the Federal Reserve System;

Be It Resolved, That the Federal Reserve Board ask the Attorney General of the United States for an opinion as to what its responsibility is in the premises."

Mr. Hamlin submitted the following, as a substitute for the motion made by Mr. James:

"Whereas, Governor Harrison of the Federal Reserve Bank of New York, on May 14, 1930, stated to the Board that if any request should come from the Bank for International Settlements asking whether the Federal Reserve Bank of New York dissents to an offering in the United States of reparations bonds, he would prepare a cable and letter which he would submit to the Federal Reserve Board for approval or disapproval, and that if the Board should disapprove such cable and letter they would not be sent;

"Be It Resolved, That the following proposed reply of the Federal Reserve Bank of New York to such request, be submitted to the Federal Reserve Bank of New York by way of suggestion:

"The Federal Reserve Bank of New York has the honor to acknowledge the receipt of your cablegram asking whether it dissents to the proposed offering in the United States markets of the reparations bonds referred to. In reply I would say that the Federal Reserve Bank of New York does not dissent, for the reason that under the Federal Reserve Act it has no power to pass upon such securities as a condition precedent to their offering in said United States markets. Its failure to dissent, therefore, should not be construed either as an approval or disapproval of the terms, conditions, or worth of such securities, or as a waiver of any of its lawful powers to take necessary action at any time to protect the credit stability of the United States."

The two motions were discussed further, but no action was taken.

REPORTS OF STANDING COMMITTEES:

Dated, May 13th, Recommending approval of the application of Mr. Bernard Miller for permission to serve at the same time as director of the New Jersey National Bank and Trust Company, Newark, N. J., and as director of the West Hudson County Trust Company, Harrison, N. J.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, May 13th, Recommending approval of the application of Mr. Isaac E. Sexton for permission to serve at the same time as director of the Everett Trust Company of Everett, Massachusetts and as director of the Winchester National Bank of Winchester, Massachusetts.

Approved.

The meeting adjourned at 1:30 p.m.

C. W. McClelland  
Assistant Secretary.

Approved:

Raymond  
Governor.