

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, May 19, 1930 at 11:30 a.m.

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

PRESENT ALSO: Mr. Smead, Chief, Division of  
Bank Operations.  
Dr. Parry, Assistant Director, Division  
of Research and Statistics.

The Assistant Secretary advised the Board that since arrangements have been made with the Treasury Department for an allotment of 11,000 square feet of space in the annex building to the Divisions of Bank Operations and Research and Statistics, which space is to be located on the third and fourth floors of the building, it has been found that the type of building is not exactly fitted to the organization of the Division of Research and Statistics, particularly, and that to house the two Divisions will require some 13,500 square feet of space which it may not be possible to secure. Mr. Smead and Dr. Parry supplemented the statement made by the Assistant Secretary and also discussed with the members of the Board the question of leasing space for their two Divisions in the Washington Building and possible terms upon which space in that building might be leased, stating that while rentals in the building are fairly high the management would be willing to make some concessions to get the Board's Divisions in the building.

At the conclusion of the discussion, upon motion, the Committee on Salaries and Expenditures, with the assistance of the Chief of the Division of Bank Operations and the Director of the Division of Research and Statistics, was requested to investigate fully the question of space for the Divisions and report with recommendations to the Board.

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Mr. Smead then discussed with the members of the Board a memorandum dated May 16th, submitting a revision of data filed with the Board on January 16, 1930, recommending certain changes in the form of the text statement accompanying the weekly condition statement of the Federal Reserve banks, as well as certain changes in the statement itself; the memorandum also recommending that the changes be made effective beginning with the statement for May 28th and that at that time the Board also publish an explanation of the changes and of the new items which will be referred to in the text. The changes in the statement referred to are the inclusion of the item "Federal Reserve Notes of Other Banks" in the resource statement and a revision of the Federal Reserve Note Statement on the liability page, while the changes in the text are such as to bring out clearly not only the amount of reserve bank credit outstanding but the changes in the factors accountable therefor.

Upon motion by Mr. Hamlin, it was voted that the statement in the revised form be made effective as of May 28, 1930.

The minutes of the meeting of the Federal Reserve Board held on May 15th were read and approved, as amended.

Letter dated May 15th from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

The Assistant Secretary called attention to the fact that the letter from the New York bank points out that no action has as yet been taken by the Board on the request of the New York directors that the Board reduce

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to 2% the minimum buying rate established by it for the purchase of bankers acceptances by the bank.

He stated that at the meeting on May 9th action on this rate was deferred for a full meeting of the Board.

Telegram dated May 15th from the Chairman of the Federal Reserve Bank of San Francisco, advising that due to lack of a quorum no meeting of the Board of Directors was held on that date and no change was made in the Bank's existing schedule of rates of discount and purchase.

Noted.

Report of Executive Committee on letters dated May 17th from the Comptroller of the Currency, recommending approval of a salary of \$6,000 per annum for National Bank Examiner Verne J. Wilson and a salary of \$3,000 per annum for National Bank Examiner Wendell C. Laycock, both assigned to the Fourth Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Memorandum dated May 16th from the Assistant Secretary, requesting authority to employ temporarily two painters, at the per diem rate paid by the Government for this class of help, for the purpose of painting rooms occupied by the Board in the Treasury building.

Approved.

Letter dated May 15th from the Chairman of the Federal Reserve Bank of New York, advising of the resignation of Mr. W. Randolph Burgess, as Assistant Federal Reserve Agent, effective April 30, 1930 and his election as Deputy Governor of the New York bank as of May 1, 1930; the letter stating that there has been no change in Mr. Burgess' salary at the present time,

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but the directors of the bank will probably take some action regarding it in the near future.

Upon motion, Mr. Burgess' resignation as Assistant Federal Reserve Agent was accepted effective as of April 30th.

Upon motion, a salary of \$22,000 per annum was approved for him as Deputy Governor, effective May 1, 1930.

Matter approved on initials on May 16th, namely, telegram dated May 15th from the Federal Reserve Agent at Minneapolis, requesting permission to make credit investigations, without charge, of three State member banks named, at the time they are under examination by the State authorities.

Formally approved.

Report of Committee on District #6 on letter dated May 12th from the Chairman of the Federal Reserve Bank of Atlanta, requesting approval of the payment to Mr. J. S. Adams of attorneys' fees amounting to \$1,329.66, in connection with the receivership of the First National Bank of Dublin, Ga.; the Committee recommending approval.

Approved.

Draft of reply, approved by the Committee on Salaries and Expenditures, to letter dated May 8th from the Chairman of the Federal Reserve Bank of Dallas, submitting a change in the salary classification plan of the bank, namely, the classification of the position of Assistant Manager of the Accounting Function under Grade M-3, with an annual salary range from \$2100 to \$3600; the letter stating that the Board approves the classification with the understanding that one of the positions of Division chief with a salary range of \$2100 to \$3000, is discontinued.

Upon motion, the proposed letter was approved.

The Governor then reported that nine or possibly ten of the Federal Reserve banks will be represented at the meeting of the Open Market Policy Conference called for May 21st, Boston and Kansas City having board meetings on that date.

Noted.

Letter dated May 15th from the Chairman of the Federal Reserve Bank of New York, advising that the directors of that bank have voted to accept participation in the Open Market Policy Conference under the plan approved by the Board on March 25th, subject to their interpretation of that plan as not establishing any different procedure with respect to bill operations than has existed heretofore.

Ordered circulated.

Letter dated May 14th from Deputy Governor Burgess of the Federal Reserve Bank of New York, reviewing operations and conditions in the bill and Government securities markets during the week ending on that date.

Noted.

Letter dated May 16th from Deputy Governor Crane of the Federal Reserve Bank of New York, transmitting the regular monthly compilation of the amount of short term funds held in New York for foreign account, aggregating \$2,450,271,000 as of April 30th.

Noted.

Memorandum from Counsel dated May 16th, advising that under authority granted by the Board arrangements have been made for a meeting of the Counsel of all Federal Reserve banks in Washington on Monday, June 9th, and for a conference between the Counsel and representatives of the Comptroller of the

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Currency on June 10th.

Noted.

Memorandum dated May 15th from Counsel, with reference to a letter received from the Department of Justice regarding delay in reporting certain embezzlements by employees of the Security Trust and Savings Bank, Los Angeles, California; Counsel submitting drafts of a circular letter to all Federal Reserve Agents pointing out the importance of prompt reports of violations of the criminal provisions of the banking laws, a letter to the Attorney General of the United States advising of this action and a letter to the Federal Reserve Agent at San Francisco regarding the particular case referred to.

After discussion, upon motion, the proposed letters were referred to the Governor with power.

Memorandum from Counsel dated May 15th, submitting draft of letter to all Federal Reserve Agents with further regard to the uniform plan for designation of officers of member banks to vote in elections of Class A and B directors, which was approved by the Board on April 23rd.

Approved.

Matters approved on initials on May 16th, namely, application filed by the Central National Bank of the City of New York, N. Y. for the surrender of stock in the Federal Reserve Bank of New York (1,875 shares) effective if and when the bank has been placed in voluntary liquidation, and application on behalf of the Central Bank of the City of New York for membership in the Federal Reserve System and for 1,875 shares of stock in the Federal Reserve Bank of New York, effective if and when organized and au-

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thorized to commence business, subject to the regular conditions of membership set out in Regulation H and the following special conditions:

"1. That The Central Bank of the City of New York, N. Y., shall at the first meeting of its board of directors, ratify the action taken in its behalf by The Central National Bank of the City of New York in applying for stock in the Federal Reserve Bank of New York and in accepting the conditions of membership imposed by the Federal Reserve Board, and the board of directors of The Central Bank of the City of New York shall pass a resolution accepting such conditions of membership.

"2. That at the time The Central Bank of the City of New York is authorized to commence business its proposed capital of \$2,500,000 and surplus of \$625,000 shall be fully paid in."

Upon motion, the applications were formally approved.

The Governor then stated that the Federal Advisory Council is holding its preliminary meeting today and if convenient to the members of the Board he will arrange for a meeting with the Council tomorrow morning at 9:30 o'clock.

No objection was expressed.

Reference was then made to the motions submitted by Mr. James and Mr. Hamlin at the meeting on May 15th, on which action was deferred, and Mr. Miller submitted the following proposed letter to the Federal Reserve Bank of New York as an amendment to the motion made by Mr. Hamlin:

"The following observations are made by the Federal Reserve Board to explain its position in reply to the matter submitted to it by the Governor of the Federal Reserve Bank of New York with regard to contemplated offering of Reparation bonds in the American market:-

"The American capital-loan market is a free market: An exception is the informal surveillance exercised over offerings of securities of foreign origin by the State Department since 1922. The assumption of this responsibility by the State Department appears to have been motivated purely by considerations of national and international policy.

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"In these circumstances it would be a gratuitous assumption of responsibility - certainly extra legal, if not actually illegal - for a Federal Reserve Bank or the Federal Reserve Board to perform the function of a Capital Issues Committee with regard to a special class of securities, as it would if it undertook to pass upon the admissibility of offerings of bonds made by or on behalf of the Bank for International Settlements in the American market. The statutes of the Bank for International Settlements can not alter the authority or responsibilities of a Federal Reserve Bank or the Federal Reserve Board - can not add to or subtract from them, nor prescribe the manner of their exercise. To take cognizance of the request made of the Federal Reserve Bank of New York by the B.I.S., and indirectly, therefore, of the Federal Reserve Board, would involve the Bank and the Board in an extension of their functions and the acceptance of a new order of responsibility at the instance of a foreign institution. If this could legally and properly be done at the instance of the B.I.S., it could also be done at the instance of any other institution or any government. The implications - political, economic and financial - of any such involvement are so far-reaching as to make it objectionable from a reasonable public point of view.

"It appears to the Board that the existing arrangement under which all questions of clearance in connection with the offering of securities of foreign origin are determined by the State Department needs no supplementation at this time for the safeguarding of our national interest. This is particularly true in connection with offerings of Reparation bonds because from their very nature these questions are political rather than economic and financial in character. For the Federal Reserve Bank and the Board to undertake to pass upon offerings of these bonds upon political grounds would carry them far beyond their legitimate functions. For them to give such bonds clearance on financial grounds would involve them, from the public viewpoint, in an approval of the securities so offered.

"The Board feels that it, itself, and Reserve Banks should maintain freedom from commitments that might interfere with the unimpeded discharge of their duties in connection with the administration of the resources of the Federal Reserve System.

"After careful consideration of the questions raised by the statutes and requests of the B.I.S., the Board has reached the conclusion that it should be informed that the Federal Reserve Bank of New York expresses and can express no dissent to the proposed issue of Reparation bonds in the American market, 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 our markets, and that its failure to dissent 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."



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The Governor instructed the Assistant Secretary to furnish copies of Mr. Miller's amendment to the individual members of the Board as he has the motions by Messrs. James and Hamlin, and stated that the three motions will be brought up for consideration at a full meeting of the Board within the next few days.

REPORTS OF STANDING COMMITTEES:

- Dated, May 15th, 16th, 19th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, May 17th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, May 13th, 16th, Recommending action on applications for admission of State banks, subject to the conditions stated in the individual reports attached to the applications, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, May 15th, Recommending approval of the application of Mr. Ernest H. Trickey for permission to serve at the same time as director and officer of the Wolfeboro National Bank of Wolfeboro, N. H., and as director and officer of the Rochester Trust Company of Rochester, N. H. Approved.
- Dated, May 15th, Recommending approval of the application of Mr. Charles E. Hendrixson for permission to serve at the same time as director of the Corn Exchange National Bank & Trust Company of Philadelphia, Pa., and as director of the Chester National Bank of Chester, Pa. Approved.
- Dated, May 16th, Recommending approval of the application of Mr. Fred Klein for permission to serve at the same time as director of the First National Bank of Jersey City, N. J., and as officer of the North Arlington National Bank of North Arlington, N. J. Approved.
- Dated, May 17th, Recommending approval of the application of Mr. VanVechten Shaffer for permission to serve at the same time as director and officer of the Cedar Rapids National Bank of Cedar Rapids, Iowa and as director of the Union National Bank of Ames, Iowa. Approved.

The meeting adjourned at 12:50 p.m.

Approved:

*Raymond*  
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Governor.

*C. W. McClelland*  
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Assistant Secretary.