

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 29, 1930, at 11:45 a.m.

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

The Governor referred to the matter ordered circulated at the meeting on May 22nd, namely letter dated May 16th from the Federal Reserve Agent at San Francisco, with regard to the classification of certain deposits of the Bank of Italy National Trust and Savings Association for reserve purposes, together with report of the last examination of the bank.

Discussion ensued regarding the proper classification as demand or time deposits of the public and trust funds, regarding which question is raised in the examination report and the letter of the Federal Reserve Agent.

Mr. James moved that the Board authorize the Federal Reserve Agent at San Francisco to make an analysis of all the deposit accounts of the Bank of Italy National Trust and Savings Association in order that he may furnish the Board with information on the basis of which it can determine whether the various deposits should be classified as time or demand deposits.

Discussion then developed to include the question of the proper classification of the so-called "special savings accounts" carried by California banks under State laws and previous consideration given by the Board to amending the definition of savings accounts contained in its Regulation "D" was reviewed.

At the conclusion of the discussion, Mr. Hamlin moved that Mr. James' motion be laid on the table until the letter from the Federal Reserve Agent at San Francisco and the report of examination of the Bank of Italy National Trust and Savings Association can be referred to Counsel for report as to whether the Board has sufficient data in its possession to rule on the question of whether the public and trust

5/29/30

- 2 -

506

funds classified by the Bank of Italy National Trust and Savings Association as time deposits are really demand deposits and as such subject to a reserve of 10%.

Mr. Hamlin's motion being put by the Chair was carried.

The minutes of the meeting of the Federal Reserve Board held on May 22nd, on which action was deferred at the meeting on May 26th, were then read and approved. The minutes of the meetings held on May 26th and 27th were also read and approved.

At this point Mr. Wyatt, the Board's General Counsel, entered the room and discussed with the Board his memorandum of May 27th, recommending that the Board retain Honorable Newton D. Baker in an advisory capacity, request him to attend the forthcoming conference of Counsel of the Federal reserve banks and furnish the Board with a written statement of his own views as to the recommendations submitted to the Board by the conference.

Mr. Wyatt stated that on the occasion of previous conferences Mr. Baker has been in attendance and of great assistance, that the questions to be considered by the forthcoming conference are of a very controversial nature and that since Mr. Baker is not at the present time retained by the Board or any Federal reserve bank some suitable arrangement for his employment will have to be made by the Board before he can appropriately be invited to be present.

After some discussion, upon motion the matter was referred to the Governor with power to negotiate with Mr. Baker and, subject to the approval of the Board, to fix compensation for his services.

Telegram dated May 28th from the Assistant Federal Reserve Agent at St. Louis, 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.

5/29/30

- 3 -

507

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of Chicago of employees for whom the directors of that Bank authorized leaves of absence with pay, on account of illness, during the period April 25th to May 22nd, where the total of such absences since January 1, 1930 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Letter dated May 23rd from the Secretary of the Federal Reserve Bank of San Francisco, advising of the death on May 6th of Mr. Charles H. Barton, one of the bank's appointees to the directorate of the Salt Lake City Branch.

Noted, with regret.

Letter dated May 23rd from Mr. John S. Wood, advising that he has tendered to the Comptroller of the Currency his resignation as Chief National Bank Examiner, effective May 31st and that, if agreeable to the Board, he will immediately begin his duties as Class "C" Director, Federal Reserve Agent and Chairman of the Board of Directors at the Federal Reserve Bank of St. Louis on June 1st. The Governor reported that he had written Mr. Wood, advising that the arrangement will be satisfactory to the Board and unless he is heard from to the contrary, the Board will expect him to assume his duties as of June 1st.

Noted.

Memorandum dated May 29th from the Assistant Secretary advising that under authority granted by the Board on April 14th, Mr. Robert K. Thompson has been employed as a stenographer in the office of the Secretary for a probationary period of three months, at a salary of \$1600 per annum, effective June 2, 1930.

Noted.

5/29/30

- 4 -

Matter approved on initials on May 28th, namely, telegram to the Assistant Federal Reserve Agent at Cleveland, advising that the Board will interpose no objection to an examiner and one assistant from the Federal Reserve bank making the usual credit investigation of the Dollar Savings and Trust Company, Youngstown, Ohio, without cost to the member bank, at the time it is under examination by State authorities.

Formally approved.

Matter approved on initials on May 27th, namely, letter to the Assistant Federal Reserve Agent at New York, prepared by Counsel, in reply to an inquiry whether the firms of Winthrop, Mitchell and Company, and White, Weld and Company, both of New York City, come within the meaning of the term "private bankers", as used in the Clayton Act; the letter ruling in the negative as to the firm first mentioned and in the affirmative as to the latter.

Formally approved.

Letter dated May 19th from the Assistant Comptroller General of the United States in reply to an inquiry made by the Governor, that the report of the inspection recently made by examiners of the General Accounting Office of the accounts of the Board's Fiscal Agent, is not in the nature of a clearance, but relates primarily to the disposition of monies of the United States credited to his official account with the Treasurer of the United States, the accounting for which was found to be satisfactory.

A discussion ensued regarding the advisability of a thorough audit of the accounts of the Fiscal Agent either by the Board's examining force or by auditors of one or more of the Federal Reserve banks.

At the conclusion of the discussion, upon motion by Mr. Miller, the Governor was requested to investigate and report back to the Board, with recommenda-

5/29/30

- 5 -

tions, which, if any, of the activities of the Board should be subject to periodic audits.

Memorandum from Counsel dated May 26th, submitting draft of letter to the Chairman of the Federal Reserve Bank of Boston and proposed reply to a letter received from the Department of Justice with relation to alleged failure of officers of the Federal Reserve Bank of Boston to cooperate with representatives of the Department of Justice investigating the recent theft of a payroll from that bank.

After some discussion, during which it was the consensus of opinion that more complete information should be received from the Federal Reserve Bank of Boston before any letter such as that prepared by Counsel is addressed to the Bank, the matter was referred to the Committee on District No. 1, with instructions to take it up with the Federal Reserve Agent at Boston and report back to the Board.

Letter dated May 3rd from the publishing house of Dunod, Paris, France, requesting permission to use a translation of the pamphlet "Verification of Financial Statements" as an appendix to a publication entitled, "Technique of the Verification of Accounts", to be issued by the concern.

Upon motion, it was voted to interpose no objection.

Report of Committee on Examinations on letter dated May 23rd from the Federal Reserve Agent at Philadelphia, recommending approval by the Board of the application of the Provident Trust Company of Philadelphia for permission, under its conditions of membership, to hold 900 shares of stock in the Central National Bank of Philadelphia, subscribed to under rights issued by the latter for one new share for each five held, Mr. Platt of the Committee recommending that the Board interpose no objection and Mr. Cunningham merely noting the application as being somewhat different from those which have come before the Board recently involving only a small number of shares.

After discussion, during which it was brought out that the stock on which the rights were issued was owned by the Provident Trust Company at the time of admission to the System, it was voted to interpose no objection to the bank's acquiring the additional shares to which it is entitled.

Memorandum dated May 27th from Counsel with regard to the status in Congress of legislation which has been recommended by the Board, the memorandum pointing out particularly that the House Committee on Banking and Currency recently voted to report several bills without amendment, including S-485, making it discretionary with the Board to assess costs of examining state member banks against the bank examined.

Ordered circulated.

Memorandum dated May 27th from Counsel submitting, in accordance with action taken by the Board on May 10th, a revised draft of a proposed amendment to Section IV of Regulation "K", relating to titles of corporations organized under the Edge Act, which would make the section read as follows:

"Inasmuch as the name of the Corporation is subject to the approval of the Federal Reserve Board, a preliminary application for that approval should be filed with the Federal Reserve Board on F. R. B. Form 150, which is made a part of this regulation. This application should state merely that the organization of a Corporation under the proposed name is contemplated and may request the approval of that name and its reservation for a period of 30 days.

"So far as possible the title of the Corporation should indicate the nature or reason of the business contemplated and should in no case resemble the name of any other corporation to the extent that it might result in misleading or deceiving the public as to its identity, purpose, connections or affiliations.

"The title of every such corporation shall include the word 'foreign' or the word 'international', and no such corporation will be permitted to have the word 'bank' as part of its title; Provided, however, that, with the permission of the Federal Reserve Board, which may be granted or withheld in the Board's discretion, any corporation which is closely affiliated with one or more banks and

5/29/30

-7-

which is organized or operated for the purpose of transacting the foreign banking business of such bank or banks may include the word 'bank' in its corporate title and need not include the word 'foreign' or the word 'international'".

Upon motion, the section in the amended form, submitted by Counsel, was adopted effective immediately.

Memorandum from Counsel dated May 27th, submitting draft of letter to all Federal Reserve banks transmitting copy of a further letter received from the Federal Farm Board with regard to reimbursement of Federal Reserve banks for expenses incurred in acting as fiscal agents of the Federal Farm Board.

Upon motion, the proposed letter was approved.

Memorandum from Counsel dated May 23rd, submitting draft of a reply to letter dated May 20th from the Federal Reserve Agent at Cleveland, with further reference to notice of intention to withdraw from membership filed by the Peninsula Banking Company of Peninsula, Ohio; the proposed reply advising that as recommended by the Federal Reserve Agent the Board, in the exercise of the discretion vested in it by the recent amendment to Section 9 of the Act, will waive the usual requirement of a six months' notice and authorizes immediate cancellation of Federal Reserve bank stock held by the Peninsula Banking Company.

Upon motion, the action set out in the proposed reply was taken by the Board and the letter to the Federal Reserve Agent was ordered transmitted.

Memorandum from Counsel dated May 28th, with further reference to alleged irregularities on the part of the Cashier of the First State Bank of Abernathy, Texas; Counsel pointing out that the Commissioner of Banking of the State of Texas believes it advisable to have a special examination of the member bank

5/29/30

-8-

512

made within sixty days after May 9th and when this examination is undertaken will give his examiner special instructions to look for irregularities, in view of which the Board may wish further to withhold action upon the suggestion of a special Federal Reserve examination of the bank.

The Governor recommended that the Board take no action regarding a special examination of the institution by the Federal Reserve Bank of Dallas, and letters to the Federal Reserve Agent and to the Attorney General, prepared by Counsel, and predicated upon such action by the Board, were approved and ordered transmitted.

Memorandum from Counsel dated May 8th, submitting a proposed amendment to Regulation "H", which would add at the end thereof a new section with reference to the voluntary withdrawal of State banks from membership in the Federal Reserve System, either at the end of six months' written notice as heretofore permitted by law, or upon the waiver of such six months' notice by the Federal Reserve Board in the exercise of the discretion given it by the Act of April 17, 1930.

Ordered circulated.

Matter ordered circulated at the meeting on May 22nd, namely, reports of surveys conducted by the various Federal Reserve Agents into the question of investments in bank stocks by State bank and trust company members in their respective districts.

After some discussion, upon motion it was voted to request Counsel to prepare and submit to the Board draft of an amendment to Section IV of Regulation "H", entitled, "Conditions of Membership", so as to make Condition No. 3 set out therein, provide that except after applying for and receiving the permission of the Federal Reserve Board a State bank admitted to membership thereunder should not acquire a controlling interest in any other bank or trust company and should limit its total investments in the stock of other banks or trust companies to not to exceed, say, 20% of its own capital and surplus.

The Governor then reported a telephone conversation with Governor Harrison of the Federal Reserve Bank of New York, who advised him that at the meeting of his Executive Committee on Monday there was a feeling on the part of the Directors of the Bank that some action should be taken by the Federal Reserve System to further ease the credit situation and that in all probability a recommendation will come from them in the next week or so for the purchase of Government securities. He also reported that the bill holdings of the System are running off with the outside rate in New York slightly below the Federal reserve bank rate and that Governor Harrison advised him that had his bank any leeway below its minimum authorized rate of 2 1/2%, he would recommend to his Directors a reduction of 1/8%, not in an attempt to accumulate bills but to follow the market and maintain present holdings.

Discussion ensued, during which some members of the Board stated that they would not care to vote a reduction in the minimum authorized rate of the New York Bank pending further consideration by the Board of the possible program of purchases of Government securities.

Mr. Hamlin, however, moved that the Board approve for the Federal Reserve Bank of New York a minimum authorized rate of 2% for purchases of bankers' acceptances.

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

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

5/29/30

-10-

Mr. Miller then moved that the question of the minimum buying rate of the New York Bank be made special order of business for Monday or Tuesday of next week.

Carried.

The Governor stated that he would call a meeting on Monday for consideration of the question.

REPORTS OF STANDING COMMITTEES:

Dated, May 26th, 27th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

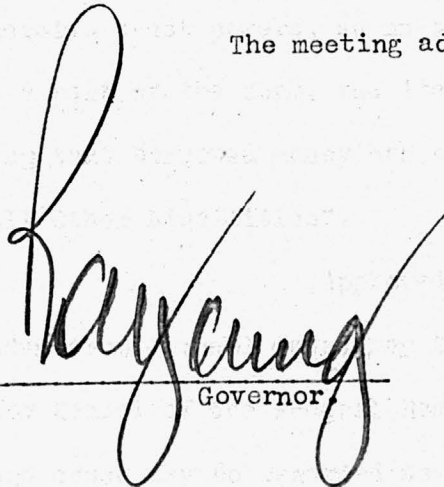
Dated, May 26th, Recommending approval of the application of Mr. James F. Gallagher for permission to serve at the same time as director of The Delaware County National Bank of Chester, Pa., and as director of the Ridley Park National Bank of Ridley Park, Pa.
Approved.

Dated, May 27th, Recommending approval of the application of Mr. Frank Altschul for permission to serve at the same time as director of The Chase National Bank of the City of New York, N. Y., and as member of the firm of Lazard Freres, New York City, N. Y.
Approved.

Dated, May 28th, Recommending approval of the application of Mr. William M. Seguire for permission to serve at the same time as director of the East Stroudsburg National Bank of East Stroudsburg, Pa., and as director of the Dover Trust Company of Dover, N. J.
Approved.

The meeting adjourned at 1:15 p.m.

Approved:


Governor


Assistant Secretary.