

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, June 2, 1930 at 12:00 o'clock noon.

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

The reading of the minutes of the meeting of the Federal Reserve Board held on May 29th was dispensed with.

Report of Committee on Examinations on telegram and letter dated May 31st from the Federal Reserve Agent at Cleveland, requesting permission to make the usual credit investigation of the Napoleon State Bank, Napoleon, Ohio, and the Dollar Savings Bank Company, St. Clairsville, Ohio, without cost to the member banks, at the time they are under examination by State authorities; the Board's Committee recommending approval.

Approved.

Memorandum from Counsel dated May 28th, recommending an amendment to the Board's Form 61, upon which National banks make application for permission to exercise trust powers, so as to include in the Condition Statement which is a part of the form, the item "Bills Payable and Rediscounts"; Counsel stating that borrowed money has heretofore been included in the statement under "All Other Liabilities".

Approved.

Memorandum from Counsel dated May 28th, submitting a report made by Deputy Governor Kenzel of the Federal Reserve Bank of New York on the question whether sausage cases may be regarded as readily marketable staples which may be made the basis for bankers acceptances secured by warehouse receipts, with

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reference to which inquiry was made by the Grace National Bank of New York City; the memorandum pointing out that the acceptances which the Grace National Bank has in mind may properly be treated as arising out of the importation or domestic shipment of goods and accordingly it is unnecessary to decide the question whether sausage cases are readily marketable staples upon which warehouse-secured acceptances may be based.

Noted.

At this point, the Secretary of the Treasury joined the meeting and took the Chair.

The Governor stated that special order of business for this meeting is consideration of the request of the directors of the Federal Reserve Bank of New York, which has been before the Board since May 9th, for approval of a minimum buying rate of 2% for purchases of bankers acceptances. In this connection, he referred to the report made by the Open Market Policy Conference on May 22nd that it did not appear to the Conference that any affirmative recommendation as to open market operations was advisable at the time. He stated that the directors of the Federal Reserve Bank of New York, however, feel that there should be some further easing without delay, and at their meeting last Thursday made a recommendation that the System proceed to purchase Government securities at the rate of \$25,000,000 a week. He stated that Governor Harrison has taken the matter up with the Executive Committee of the Open Market Policy Conference and the Governors of the other Federal Reserve banks, but not yet having heard from all the banks is not prepared to advise the Board formally. Governor Harrison ad-

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vised informally, however, Governor Young stated, that of the nine banks heard from six are favorable to the New York recommendation and three are opposed, and that definite advice will probably be received from Governor Harrison this afternoon.

There was considerable discussion regarding the probable effects of a program of security purchases, coupled with a reduction in the buying rate on bills and a majority of the members present indicated that they were prepared to vote a reduction in the minimum buying rate of the New York bank.

Mr. Platt then moved that the Board approve for the Federal Reserve Bank of New York a minimum buying rate of 2% on purchases of bankers acceptances.

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

The Chairman, "aye"  
Governor Young, "aye"  
Mr. Platt, "aye"  
Mr. Miller, "aye"  
Mr. Pole, "aye"  
Mr. James, "no"  
Mr. Cunningham, "no"

The Chairman and Mr. Pole then left the meeting.

Letter dated May 29th 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.

Letter dated May 27th from Mr. F. O. Wetmore, President of the Federal Advisory Council, advising that after its meeting with the Board on May 20th,



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the Council adopted a resolution reading as follows:

"It was voted to request the President of the Federal Advisory Council to inform the Federal Reserve Board that the Federal Advisory Council believes it is desirable, in order to promote the trade of the United States and assist in finally liquidating the effects of the war, that the Federal Reserve Board cooperate as far as possible in carrying out the provisions of the so-called veto clause of the Statutes of the Bank for International Settlements. The plan submitted by the Federal Reserve Bank of New York to the Federal Reserve Board seems to the Council to be entirely feasible."

Noted.

Memorandum from Counsel dated May 28th, submitting proposed amendments to the Board's Regulation A:

(1) To conform to the Act of April 12, 1930 permitting Federal Reserve banks to rediscount for member banks the same amount of paper of any one borrower which a National bank is permitted to acquire from a single borrower under the terms of Section 5200 of the Revised Statutes, as amended.

(2) To conform to the Act of May 29, 1928, permitting the rediscount of sight drafts when drawn to cover the shipment of non-agricultural, non-perishable, readily marketable staples as well as non-perishable, readily marketable staple agricultural products and when drawn to finance the exportation as well as the domestic shipment of such staples; and

(3) In order to conform to the provisions of the Act of June 17th, 1929 authorizing the issuance of Treasury bills, by substituting the words "obligations of the Government of the United States" for "bonds and notes of the Government of the United States" or "bonds or notes of the United States" with a footnote that "When used in this regulation, the words 'obligations of the Government of the United States' shall be construed to include only bonds, notes, certificates of indebtedness and Treasury bills of the Government of the United States."

During the discussion which ensued, the Governor suggested that before the above amendments are made effective they be submitted to the Federal Reserve banks for comment.

Accordingly, with the understanding that the effective date thereof should be referred to the Governor with power, it was voted:

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"(1) That subsection (d) of Section I of Regulation A be amended, to read as follows:

"(d) The aggregate of notes, drafts, and bills upon which any person, copartnership, association, or corporation is liable as maker, acceptor, indorser, drawer, or guarantor, rediscounted for any member bank, shall at no time exceed the amount for which such person, copartnership, association, or corporation may lawfully become liable to a national banking association under the terms of Section 5200 of the Revised Statutes, as amended;"

"(2) That Section VII of Regulation A be amended, to read as follows:

'SECTION VII. SIGHT DRAFTS SECURED BY BILLS OF LADING.

'A Federal Reserve bank may discount for any of its member banks bills of exchange payable at sight or on demand which -

- (a) Grow out of the domestic shipment or the exportation of nonperishable, readily marketable staples; and
- (b) Are secured by bills of lading or other shipping documents conveying or securing title to such staples.

'All such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made promptly, unless the drawer instructs that they be held until arrival of car, in which event they must be presented for payment within a reasonable time after notice of arrival of such staples at their destination has been received. In no event shall any such bills be held by or for the account of a Federal Reserve bank for a period in excess of 90 days.

'In discounting such bills Federal Reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the amount thus deducted after payment of such bills to conform to the actual life thereof.'

"(3) That wherever the words 'bonds and notes of the Government of the United States' or the words 'bonds or notes of the United States' appear in Regulation A the same be changed to read 'obligations of the Government of the United States', and that there be added to Regulation A a footnote reading as follows:

'When used in this regulation, the words "obligations of the Government of the United States" shall be construed to include only bonds, notes, certificates of indebtedness and Treasury bills of the Government of the United States.'

Memorandum dated May 27th from the Director of the Division of Research and Statistics, transmitting a revision of the article on "Paper Eligible for



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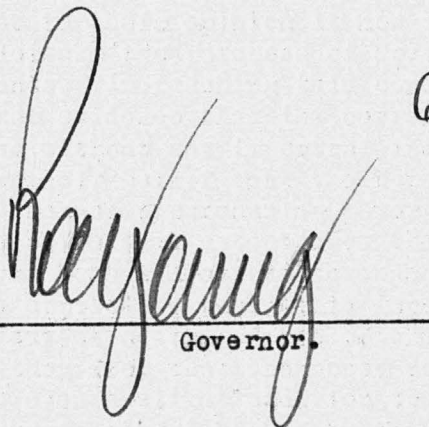
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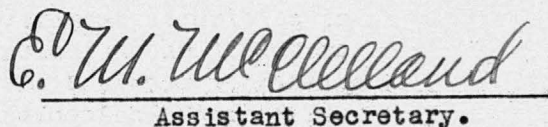
Rediscount at Federal Reserve Banks" which was prepared for publication in the Federal Reserve Bulletin at the suggestion of the Governors' Conference and submitted at the Conference last fall, modified to meet certain suggestions made by the Federal Reserve banks; the article also having been revised by the addition of a summary of the recent tabulation of the amount of eligible paper held by individual banks, classified by size and by character of the community in which the bank is located.

Upon motion, the matter of publication in the revised form was referred to the Governor with power.

The meeting adjourned at 1:10 p.m.

Approved:

  
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Governor.

  
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Assistant Secretary.