A meeting of the Federal Reserve Board was held in the office of the Governor on Monday, June 9, 1930 at 11:45 a.m.

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

On behalf of the Committee on Salaries and Expenditures, the Assistant Secretary reported negotiations with the owners of the Otis Building for a renewal of the Board's lease on space in the building occupied by the Division of Bank Operations and Research and Statistics. He stated that on the basis of a two years' lease, with the privilege of renewal (1) the owners of the building offer a price of $15,000 per annum on the space now occupied, as against $16,000 previously paid by the Board on an annual basis and $18,000 now being paid on monthly rental; (2) that certain additional space required by the Divisions will be furnished at the same price per square foot; (3) that the owners of the building will make certain alterations and improvements desired by the Divisions regarding which a conference is being held this morning; and (4) that the owners of the building have agreed to furnish an automobile for transportation between the Treasury and Otis Building, or if the car is purchased by the Board, as has been suggested by the Committee on Salaries and Expenditures, to deduct from the annual rental the cost of the car. He also reported that although Counsel is of the opinion that the Board is authorized to purchase a car, there is some question as a result of which a letter to the Comptroller General of the United States has been prepared requesting an opinion from him.
Some discussion ensued, at the conclusion of which it was the consensus of opinion that it would be better to arrange for the owners of the Otis Building to furnish and operate the automobile, rather than to have it purchased by the Board, and with this understanding the matter of entering into a formal lease on the basis reported by the Assistant Secretary was referred to the Committee on Salaries and Expenditures with power.

The Assistant Secretary then reported that the Chief of the Division of Bank Operations advises that some of the Federal Reserve banks will not earn their dividends for the first six months of 1930, and suggests that the Board give authority to the Executive Committee to approve payment of dividends out of surplus where recommended by the directors of the Federal Reserve banks.

Upon motion, authority was granted the Executive Committee, as recommended.

Letter dated June 4th from the Federal Reserve Agent at Dallas advising of the establishment of the following buying rates for bankers acceptances:

<table>
<thead>
<tr>
<th>Days</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 45</td>
<td>2 3/8%</td>
</tr>
<tr>
<td>46 to 120</td>
<td>2 1/2%</td>
</tr>
<tr>
<td>121 to 180</td>
<td>3%</td>
</tr>
<tr>
<td>Repurchase</td>
<td>2 1/2%</td>
</tr>
</tbody>
</table>

Without objection, noted with approval.

Letter dated June 5th from the Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment of the following schedule of rates for purchases of bankers acceptances:

<table>
<thead>
<tr>
<th>Days</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 90</td>
<td>2 1/4%</td>
</tr>
<tr>
<td>91 to 120</td>
<td>2 3/8%</td>
</tr>
<tr>
<td>121 to 180</td>
<td>2 3/4%</td>
</tr>
</tbody>
</table>

Without objection, noted with approval.
Letter dated June 6th from the Federal Reserve Agent at Dallas, advising of the establishment of the following rates for purchases of bankers acceptances:

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 90 days</td>
<td>2 1/4%</td>
</tr>
<tr>
<td>91 to 120 days</td>
<td>2 3/8%</td>
</tr>
<tr>
<td>121 to 180 days</td>
<td>2 3/4%</td>
</tr>
<tr>
<td>Repurchase</td>
<td>2 3/8%</td>
</tr>
</tbody>
</table>

Without objection, noted with approval.

Telegrams dated June 6th from the Chairman of the Federal Reserve Bank of Chicago and June 7th from the Chairman of the Federal Reserve Bank of Dallas, both advising that their boards of directors at meetings on the dates stated made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated June 9th from the Federal Reserve Agent at Minneapolis, requesting permission to make credit investigations of State member banks at Revere, Minnesota, Buffalo, Camp Crook, Newell and Belle Fourche, S. D., without charge to the member banks, at the time they are under examination by State authorities.

Upon recommendation of the Committee on Examinations, the authority requested was granted.

Report of Committee on Examinations on letter dated June 2nd from the Assistant Federal Reserve Agent at Cleveland, transmitting and recommending approval of an application of the Peoples-Pittsburgh Trust Company of Pittsburgh, Pa., for approval of the purchase, during May 1930, of 597 additional shares of stock in the First National Bank of Wilkinsburg, Pa.
giving it control of that institution, in which it held 708 shares of stock at the time of its admission to the Federal Reserve System; the Committee submitting a divided report, Mr. Platt recommending approval and Mr. Cunningham that the application be not approved.

A discussion ensued, during which it was brought out that the condition of membership under which the above application is filed was designed particularly to prohibit the purchase of control in other banking institutions by State bank members of the Federal Reserve System. The majority of the members present being inclined to disapprove the application, it was, upon motion, laid on the table for a later meeting of the full Board.

Memorandum dated June 6th from the Assistant Director of the Division of Research and Statistics, recommending the appointment of Miss Dorothy Fricke as statistical clerk in the Division at a salary of $1440 per annum, effective August 1, 1930.

Approved.

Memorandum dated June 9th from the Assistant Director of the Division of Research and Statistics, recommending the appointment of Mr. Woodlief Thomas to a position in the Division for a period of three months, beginning June 23rd, at a salary of $600 per month.

Approved.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Bank of Cleveland, St. Louis, Kansas City and Dallas, of employees for whom the directors of those banks authorized leaves of absence with pay, on account of illness, during the month of May, 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.

Memorandum from Counsel dated June 5th, with regard to application of the National City Bank of New York for permission to establish a branch at Porto Alegre, Brazil; Counsel stating that the application is in proper legal form and that he knows of no legal reason why it should not be granted. The Assistant Secretary reported that the application was also referred to the Comptroller of the Currency and the Federal Reserve Agent at New York, both of whom advise that they know of no reason why it should not be approved.

Upon motion, the following was ordered spread upon the minutes, Mr. Cunningham voting "no":

"THE NATIONAL CITY BANK OF NEW YORK, having on or about June 5th, 1930, filed an Application with this Board for the purpose of obtaining authority to establish a Branch in PORTO ALEGRE, REPUBLIC OF BRAZIL, and the said Application having been considered; and it appearing that the said Application is properly made under the laws of the United States of America and should be granted, NOW, THEREFORE, IT IS

"ORDERED, that the said Application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish a Branch in PORTO ALEGRE, REPUBLIC OF BRAZIL."

Memorandum from Counsel dated June 5th, submitting draft of letter to Mr. Paul Knabenshue, with reference to the establishment in the Near East of a proposed new Edge Corporation, with a capital of $2,000,000, and inquiring whether the capital stock of such corporation must be actually subscribed, though not paid in, before the organization papers are approved by the Board and the preliminary permit is issued, and if the answer to this question is in the negative, whether the stock must be subscribed,
though not paid in, before the final permit to commence business is issued; the proposed reply advising that, without any indication of the action which the Board may take with reference to approval or disapproval of the organization papers of the proposed corporation or with reference to granting to such corporation authority to commence business (1) under the circumstances it will not be necessary that the entire amount of the capital stock of the proposed corporation be subscribed before the articles of association and organization certificate are approved by the Board and a preliminary permit to transact business incidental to organization of the corporation is issued, and (2) the Board will require, however, assurances that the amount of $2,000,000 capital stock of the corporation has been fully subscribed before granting to the corporation authority generally to commence business.

After discussion, upon motion, the letter submitted by Counsel was approved.

Letter dated June 6th from Ropes, Gray, Boyden and Perkins, Boston, Massachusetts, advising that the Second National Bank of Boston desires to apply under Section 25 of the Federal Reserve Act for permission to invest an amount not exceeding $25,000, less than 10% of its paid-in capital and surplus, in a corporation which it is proposed to organize under the laws of Massachusetts to engage principally in international or foreign banking; the immediate reason being that the bank desires to take advantage of an opportunity to subscribe to 25 shares of stock in the Bank for International Settlements, which it understands would not be a proper investment for the bank itself. In the letter, it was pointed
out that the bank has no purpose or desire to use the corporation to carry on an investment banking business, hence the low capitalization of $25,000, but that the bank now conducts a substantial amount of foreign business some of which could be conveniently done by the new corporation.

A discussion ensued during which certain members of the Board expressed the opinion that it would be inadvisable to organize a corporation for the purpose of engaging in foreign banking business with a capital as low as $25,000.

Upon motion, the Assistant Secretary was directed, in replying to the above letter, to state that there is some question whether the Board will enter into an agreement with a foreign banking corporation having a capital of but $25,000, thus permitting investment in its stock by National banks.

Memorandum from Counsel dated June 5th, recommending that there be published in the forthcoming issue of the Federal Reserve Bulletin a digest as of March 1, 1930, recently prepared in his office, with the assistance of Counsel of the various Federal Reserve banks, of State laws relating to the power of banks and trust companies to invest in and purchase stocks in other corporations, including stocks in other banks or trust companies.

Upon motion, the publication of the Digest was approved.

Draft of letter to the Assistant Federal Reserve Agent at New York, with regard to service by Mr. Frank C. Ferguson as a director of the Hibernia Trust Company of New York City, which at the time of his election to its board of directors had resources of less than $5,000,000 and, therefore, did not come within the provisions of the Clayton Act; the proposed
reply advising that since the resources of the Hibernia Trust Company now exceed $5,000,000 and Mr. Ferguson is also a director of three other banking institutions, he can only serve as a director of the Hibernia Trust Company for one year after the date of his election without coming within the prohibitions of the Clayton Act.

Upon motion, the letter was approved.

The Assistant Secretary then presented a memorandum dated June 5th from the Acting Comptroller of the Currency, advising of approval by that office of a proposed letter to the Deputy Governor of the Federal Reserve Bank of Kansas City, prepared by the Board's Counsel, advising that notes of farmers given to dealers for the purchase of farm implements may be classified as agricultural paper within the rediscount provisions of Section 13 of the Federal Reserve Act and as commercial or business paper actually owned under the provisions of Section 5200 of the Revised Statutes limiting loans by a National bank to one person and also under the recent amendment to Section 13 making the limitations on the rediscount of paper of one borrower conform to Section 5200.

Upon motion, the letter to the Deputy Governor of the Kansas City bank was approved and ordered transmitted.

Matter ordered circulated at the meeting on May 29th, namely, memorandum from Counsel dated May 8th, submitting a proposed amendment to the Board's Regulation H, 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 Board in the exercise
of the discretion given it by the Act of April 17, 1930.

At the suggestion of the Governor, it was voted
to eliminate from the proposed amendment, as pre-
pared by Counsel, a requirement that any State bank
desiring to withdraw from membership without awaiting
the expiration of six months from the date of its
written notice, in requesting the Board to waive such
six months' notice shall state the reasons for such
request.

Upon motion, it was then voted that Regulation H
be amended, effective immediately, by adding at the
end thereof a new Section reading as follows:

"SECTION VIII. VOLUNTARY WITHDRAWAL FROM FEDERAL RESERVE SYSTEM.

1. General. - Any State bank or trust company desiring to withdraw
from membership in a Federal Reserve Bank may do so after six months'
written notice has been filed with the Federal Reserve Board; and the
Federal Reserve Board, in its discretion and subject to such conditions
as it may prescribe, may waive such six months' notice in individual
cases and may permit such bank or trust company to withdraw from mem-
bership in a Federal Reserve Bank prior to the expiration of six months
from the date of the written notice of its intention to withdraw.

The law provides, however, that no Federal Reserve Bank shall,
except upon express authority of the Federal Reserve Board, cancel with-
in the same calendar year more than 25 per centum of its capital stock
for the purpose of effecting voluntary withdrawals during that year.
All applications for voluntary withdrawals are required by law to be
dealt with in the order in which they are filed with the Board.

2. Resolution of Board of Directors. - Every notice of intention
of a State bank or trust company to withdraw from membership in the
Federal Reserve System and every application for the waiver of such
notice should be accompanied by a certified copy of a resolution duly
adopted by the board of directors of such bank authorizing the with-
drawal of such bank from membership in the Federal Reserve System and
authorizing a certain officer or certain officers of such bank to file
such notice or application, to surrender for cancellation the Federal
Reserve Bank stock held by such bank, to receive and receipt for any
monies or other property due to such bank from the Federal Reserve
Bank and to do such other things as may be necessary to effect the
withdrawal of such bank from membership in the Federal Reserve System."
"3. Notice of Intention to Withdraw. - Any State bank or trust company desiring to withdraw from membership in a Federal Reserve Bank after six months’ written notice should signify its intention to do so in a letter addressed to the Federal Reserve Board and mailed to the Federal Reserve Agent at the Federal Reserve Bank of which such State bank or trust company is a member. Such letter should state clearly the reason for the bank’s desire to withdraw from membership, and should enclose a certified copy of the resolution of the board of directors of such bank required by subsection 2 hereof. The Federal Reserve Agent shall immediately forward such notice to the Federal Reserve Board; and the bank giving notice will be permitted to withdraw from membership by surrendering its stock in the Federal Reserve Bank for cancellation six months after the date on which such notice was received by the Federal Reserve Agent, unless other such notices previously received during the same year would result in the cancellation of more than 25 per centum of the capital stock of such Federal Reserve Bank during that calendar year.

"4. Application for Waiver of Notice. - Any State bank or trust company desiring to withdraw from membership in a Federal Reserve Bank without awaiting the expiration of six months from the date of its written notice of intention to do so shall address a letter to the Federal Reserve Board applying for permission to withdraw from membership prior to the expiration of six months and requesting the Federal Reserve Board to waive the six months’ notice usually required. Such letter shall be accompanied by the certified copy of a resolution of the board of directors of such bank required by subsection 2 hereof, and shall be forwarded to the Federal Reserve Agent at the Federal Reserve Bank of which the applying bank is a member. The Federal Reserve Agent shall forward such application to the Federal Reserve Board with a definite recommendation that the application be approved or disapproved and with a full statement of his reasons for such recommendation. Unless there are exceptional circumstances justifying it, the Federal Reserve Board will not be disposed to waive such notice; and no such application will be approved by the Federal Reserve Board if the banks owning more than 10 per cent of the capital stock of such Federal Reserve Bank have previously filed notice of their intention to withdraw from membership during the same calendar year.

"5. Time and Method of Effecting Actual Withdrawal. - A bank’s withdrawal from membership in the Federal Reserve System is effective on the date on which the Federal Reserve Bank stock held by it is duly cancelled. Until such stock has been cancelled, such bank remains a member of the Federal Reserve System, is entitled to all the privileges of membership and is required to comply with all provisions of law and all regulations of the Federal Reserve Board pertaining to member banks and with all conditions of membership applicable to it. Upon the cancellation of such stock all rights and privileges of such State bank or trust company as a member bank cease and determine.

Upon the expiration of six months after notice of intention to withdraw from membership was received by the Federal Reserve Agent, or upon the waiving of such six months’ notice by the Federal Reserve Board, therefore, such bank or trust company should surrender its stock and its
"Certificate of membership to the Federal Reserve Bank and request that
same be cancelled and that all amounts due to it from the Federal Re-
serve Bank be refunded. Unless this is done within two months after the
expiration of such six months' notice or after the waiver of such notice
by the Federal Reserve Board, or unless the bank requests and the Board
grants, an extension of time before the expiration of such two months,
such bank will be presumed to have abandoned its intention of withdraw-
ing from membership and will not be permitted to withdraw without again
giving six months' written notice or obtaining the waiver of such notice.

Upon the cancellation of such stock and, after due provision has
been made for any indebtedness due or to become due to the Federal Re-
serve Bank, such bank shall be entitled to a refund of its cash paid
subscription with interest at the rate of one-half of one per centum
per month from the date of last dividend, if earned, the amount refund-
ed in no event to exceed the book value of the stock at that time, and
shall likewise be entitled to the repayment of deposits and of any
other balance due from the Federal Reserve Bank.

6. Withdrawal of Notice. Any bank or trust company which has given
notice of its intention to withdraw from membership in a Federal Reserve
Bank, may withdraw such notice at any time before its stock has been
cancelled and upon doing so may remain a member of the Federal Reserve
System."

Memorandum from Counsel dated June 2nd, submitting proposed amendments
to Regulation 1 so as to conform to the Act of April 23, 1930, amending
Section 6 of the Federal Reserve Act so as to authorize the Comptroller of
the Currency to appoint a receiver for a National bank which had discontin-
ued its banking operations for a period of sixty days without going into
liquidation and for which a receiver had not already been appointed, and
amending Section 9 so as to authorize the Board to forfeit the membership
of a State member bank which had ceased to exercise banking functions but
which had not been placed in liquidation and for which a receiver had not
been appointed; Counsel also recommending that the Regulation be amended
so as to clarify sub-sections (c) and (d) of Section I relating to subscrip-
tions for Federal Reserve bank stock.

After discussion, upon motion, it was voted —
(1) That sub-division (c) of Section I of Regulation I be amended, effective immediately, to read as follows:

"(c) Increase of capital or surplus by member banks. - Whenever any member bank shall increase the aggregate amount of its paid-up capital stock and surplus, it shall file with the Federal Reserve Bank of which it is a member an application on F.R.B. Form 56, made a part of this regulation, for such additional amount of the capital stock of the Federal Reserve Bank of its district as may be necessary to make its total subscription to stock of the Federal Reserve Bank equal to six per cent of its combined capital and surplus. After such application has been approved by the Federal Reserve Agent and by the Federal Reserve Board, the applying member bank shall pay to the Federal Reserve Bank of its district one-half of the amount of its additional subscription, and when this amount has been paid the appropriate certificate of stock shall be issued by the Federal Reserve Bank. The remaining half of such additional subscription shall be subject to call when deemed necessary by the Federal Reserve Board."

(2) That sub-section (d) of Section I of Regulation I be amended, effective immediately, to read as follows:

"(d) Consolidation of member banks. - Whenever two or more member banks consolidate and such consolidation results in the consolidated bank acquiring by operation of law the Federal Reserve Bank stock owned by the other consolidating bank or banks, and which also results in the consolidated bank having an aggregate capital and surplus in excess of the aggregate capital and surplus of the consolidating member banks, such consolidated bank shall file an application for such additional amount of the capital stock of the Federal Reserve Bank of its district as may be necessary to make its total subscription to the stock of the Federal Reserve Bank equal to six per cent of its combined capital and surplus, as provided in Section I (c)."

(3) That Section II of Regulation I be amended, effective immediately, by adding immediately after sub-division (c) a new sub-division to read as follows:

"(d) Other closed member banks. - Whenever a National bank which has not gone into liquidation as provided in Section 5220 of the Revised Statutes of the United States and for which a receiver has not been appointed for other lawful cause shall discontinue its banking operations for a period of sixty days, the Federal Reserve Agent of the Federal Reserve district in which such National bank is located shall furnish the Federal Reserve Board with full information with reference to the facts involved in
"the case and with a definite recommendation as to whether the Comptroller of the Currency should appoint a receiver for the National bank. Upon receipt of this advice the Federal Reserve Board will, if the circumstances warrant it, request the Comptroller of the Currency to appoint a receiver for the National bank. If such receiver is appointed, the Federal Reserve bank stock held by the National bank should be surrendered and cancelled in the manner described in sub-division (b) of this section.

"Whenever a State member bank shall cease to exercise banking functions without being placed in liquidation in accordance with the laws of the State in which it is located and without a receiver having been appointed for it, the Federal Reserve Agent of the Federal Reserve district in which such State member bank is located shall furnish the Federal Reserve Board with full information with reference to the facts involved in the case and with a definite recommendation as to whether the Federal Reserve Board should require the State member bank to surrender its stock in the Federal Reserve Bank and to forfeit all rights and privileges of membership in the Federal Reserve System. Upon receipt of this advice the Federal Reserve Board will, if termination of the membership of the State member bank appears desirable, give the member bank notice of the date upon which a hearing will be held to determine whether its membership should be forfeited. If, after such hearing, the membership of a State member bank is forfeited the Board will direct the Federal Reserve Agent of the Federal Reserve district in which the member bank is located to cancel the Federal Reserve Bank stock it holds and make appropriate refund thereon."

The minutes of the meeting of the Federal Reserve Board held on June 4th were then read and approved.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on June 6th were read and, upon motion, the actions recorded therein were ratified.

The Governor then advised that he is leaving this afternoon on a vacation trip to Michigan, and he requested authority to employ a stenographer at not to exceed $50 a month for the purpose of carrying on official correspondence during his absence.
Upon motion, the authority requested was granted.

REPORTS OF STANDING COMMITTEES:

Dated, June 6th, Recommending a change in stock at a Federal Reserve bank as set forth in the Auxiliary Minute Book of this date. Recommendation approved.

Dated, June 4th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendation approved.

Dated, June 7th, 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, May 29th, Recommending approval of the application of Mr. H. R. Straight for permission to serve at the same time as director of the First National Bank & Trust Company, Tulsa, Oklahoma and as director of the First National Bank of Bartlesville, Okla. Approved.

Dated, June 5th, Recommending approval of the application of Mr. James J. Skelly for permission to serve at the same time as director of the Media-69th Street Trust Company, Media, Pa., and as director of the Morton National Bank, Morton, Pa. Approved.

Dated, June 5th, Recommending approval of the application of Mr. Howard W. Maxwell for permission to serve at the same time as director of the First National Bank of Glen Cove, N. Y., as director of the New York Trust Company, New York City, N. Y., and as director of the Brooklyn Trust Company, Brooklyn, N. Y. Approved.

Dated, June 7th, Recommending approval of the application of Mr. Frank Bailey for permission to serve at the same time as director of the Bank of America National Association, New York City, N. Y., as director of the Title Guarantee & Trust Company, New York City, N. Y., and as director of the Westchester Title & Trust Company, White Plains, N. Y. Approved.

Dated, June 7th, Recommending approval of the application of Mr. T. R. Preston for permission to serve at the same time as director and officer of the Hamilton National Bank of Chattanooga, Tenn., as director of the Bank of America National
RECOMMENDATION: (Cont'd)
Association, New York City, N. Y., and as director of the Calhoun National Bank of Calhoun, Georgia.
Recommendation approved.

The meeting adjourned at 12:50 p.m.

Approved:

[Signature]
Chairman.

[Assistant Secretary's Signature]