

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, June 18, 1930 at 11:00 a.m.

PRESENT: Vice Governor Platt  
 Mr. James  
 Mr. Cunningham  
 Mr. McClelland, Asst. Secretary

The Vice Governor presented the following telegram received this morning from Governor Young:

"In view of conditions that are developing, anticipating that my colleagues will want an expression from me I wish that you would put in the record that if a further reduction is requested by New York I would vote favorably if I were there."

Noted.

Telegram dated June 16th from the Governor of the Federal Reserve Bank of St. Louis and letter dated June 16th from the Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment of the following rates for purchases of bankers acceptances:

1 to 45 days	-	2 1/8%
46 to 120 days	-	2 1/4%
121 to 180 days	-	2 3/4%

Without objection, noted with approval.

Telegram dated June 17th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment of the following schedule of effective buying rates on acceptances:

1 to 45 days	-	2 1/8%
46 to 120 days	-	2 1/4%
121 to 180 days	-	2 3/4%
Repurchase	-	2 1/4%

Without objection, noted with approval.

The Assistant Secretary called attention to the fact that the above telegram also advises that the Executive Committee of the San Francisco bank has ap-

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proved a minimum buying rate of 2% for purchases of bankers acceptances.

Approved.

Report of Committee on Salaries and Expenditures on letter dated June 13th from Deputy Governor Gilbert of the Federal Reserve Bank of New York, submitting a change in the personnel classification plan of bank, namely, the elimination of an intermediate maximum of \$1500 in the salary range of Grade G #6, being the position of direct sending clerk in the Documentary Drafts and Special Items Section of the Country Collection Division, Collection Department.

Upon recommendation, of the Committee, the change was approved.

Memorandum dated June 17th from the Assistant Director of the Division of Research and Statistics, recommending approval of a request of Mrs. Gladys Wilson, stenographer in the Division, for leave without pay from August 5th to 19th, inclusive.

Approved.

Report of Committee on Examinations on letter dated June 14th from the Federal Reserve Agent at Cleveland, requesting permission to make the usual credit investigation of the Erie County Banking Company, Vermilion, Ohio and the Wakeman Bank Company, Wakeman, 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 dated June 18th from the Fiscal Agent, recommending that an assessment of ninety-two thousandths of one percent (.00092) of

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the total paid in capital and surplus of the Federal Reserve banks as at the close of business June 30, 1930, be levied by the Board to cover its expenses during the six months beginning July 1st.

Upon motion, the following resolution was adopted:

"WHEREAS, under Section 10 of the Act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal reserve banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees for the half-year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half-year; and

"WHEREAS, it appears from estimates submitted and considered that it is necessary that a fund equal to ninety-two thousandths of one per cent (.00092) of the total paid-in capital stock and surplus of the Federal reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes; Now, therefore,

"BE IT RESOLVED, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal reserve banks of an amount equal to ninety-two thousandths of one per cent (.00092) of the total paid-in capital and surplus of such banks as of June 30, 1930, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessments will be collected in two installments of one-half each; the first installment to be paid on July 1, 1930, and the second half on September 1, 1930."

Letter dated June 13th from Deputy Governor Burgess of the Federal Reserve Bank of New York with regard to conditions and operations in the bill and Government securities markets during the week ending June 13th.

Noted.

Memorandum from Counsel dated June 16th, submitting copy of H. J. Res. 364 introduced by Congressman McFadden to prohibit the purchase of

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reparations bonds by Federal Reserve banks and member banks.

Noted.

Letter dated June 13th from the Governor of the Federal Reserve Bank of New York, advising of receipt from the Bank for International Settlements of a copy of a report approved by the Board of Directors of that bank relative to operations of the Bank for International Settlements and the right of veto of the central banks, under the terms of which all dollar funds at the disposal of the Bank for International Settlements on our markets will be centralized in its account with the Federal Reserve bank for the purpose of being distributed thence on our markets; the letter also stating (1) that in reply to an inquiry by the Bank for International Settlements the Federal Reserve bank has advised that while it can not suggest or name any private banks or bankers for consideration as their depositaries in this market, nevertheless the Federal Reserve bank has no objection to their using private banks or bankers whom they may select for the deposit of so much of the dollar proceeds of the German loan as they do not wish to maintain with the Federal Reserve bank, and (2) that in reply to an inquiry the Bank for International Settlements has been advised that for the present the Federal Reserve bank does not feel that it shall have any need to take advantage of an offer to open an account on the books of the Bank for International Settlements.

Noted.

Memorandum from Counsel dated June 13th, submitting draft of reply to letter from Messrs. Rushmore, Bisbee and Stern, advising that \$2,500,000 of the

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capital stock of The Chase Bank has been paid in in cash, which is sufficient for present purposes and requesting that the board of directors be permitted to call for additional payment on the stock only as in their judgment the same is needed and/or in accordance with requests for such additional payments by the Federal Reserve Board; the proposed reply advising that the Board consents that the remainder of the capital stock of the corporation may be so called for payment.

Approved.

Letter dated June 17th from the Federal Reserve Agent at Richmond, reporting continuous reserve deficiencies by the Citizens National Bank of Hendersonville, N. C.; the letter stating that everything possible has been done by the Federal Reserve bank to correct the failure of the National bank to maintain its legal reserve and recommending that the Board direct the case to the attention of the Comptroller of the Currency.

Upon motion, it was voted to refer a copy of the Federal Reserve Agent's letter to the Comptroller.

Memorandum from Counsel dated June 7th, submitting draft of reply to letter to the Assistant Federal Reserve Agent at New York, in reply to an inquiry whether commercial paper or acceptances, eligible for rediscount at a Federal Reserve bank, may be used as collateral security deposited in the trust department of a National bank to secure trust funds deposited in the commercial department; the proposed reply answering the inquiry in the negative.

Approved.

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Memorandum from Counsel dated June 16th, submitting draft of reply to letter from Revel, Miller and Company of Los Angeles, discussing the offer which has been submitted to the shareholders of the First Federal Foreign Banking Corporation to exchange their stock for Bush Service Corporation stock, and inquiring whether a liquidation of the corporation could be forced and the proceeds thereof distributed to the shareholders; the proposed reply advising that under the terms of Section 25 (a) of the Federal Reserve Act such a corporation may go into voluntary liquidation and be closed only by a vote of its shareholders owning two-thirds of its stock, although in case of a violation of law the statute authorizes the forfeiture of the charter of such a corporation through a suit brought for that purpose and in case of insolvency a receiver may be appointed.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated June 11th, with regard to recommendation of the Federal Reserve Agent at Minneapolis, that the Board waive the usual six months' notice of intention to withdraw from the Federal Reserve System and permit immediate withdrawal in the case of the Swift County Bank of Benson, Minnesota, which after being closed recently by the State banking authorities and applying for cancellation of Federal Reserve bank stock, which was approved by the Board, was reopened with new capital and under new management, but does not desire to continue its membership. In his memorandum, Counsel pointed out that the Federal Reserve Agent has not received formal notice that the Swift County Bank desires to terminate

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its membership immediately and suggested that if the Board decides to waive the six months' notice the Agent be authorized to cancel the Federal Reserve bank stock only upon its surrender, accompanied by a resolution of the board of directors of the Swift County Bank requesting that it be cancelled immediately.

After discussion, the Assistant Secretary was directed to advise the Federal Reserve Agent at Minneapolis that before action is taken by the Board he should secure from the Swift County Bank a formal notice of intention to withdraw from the Federal Reserve System including, if the bank so desires, a request that the Board waive the usual six months' requirement and permit immediate withdrawal.

Report of Committee on Examinations advising that the Federal Reserve Agents' Committee on Examinations reports that the Federal Reserve Agents are unanimously satisfied with the ruling tentatively adopted by the Board on April 23rd and recommends that it be promulgated as speedily as practicable; the Board's Committee recommending that Paragraph 3 of Page 2 of the Board's letter (X-6223), dated January 26, 1929, on the subject of "Examination of Member Banks" be amended, effective immediately, to read as follows:

"3. If a State examination is unsatisfactory, a credit investigation will not give sufficient information for the Federal Reserve Agents to act intelligently upon and a complete examination should be made for which the member bank should be charged. This does not prohibit, however, investigations of member banks by Federal Reserve banks or Federal Reserve Agents without cost. The Board has ruled that any entry of a member bank made for the purpose of informing the Federal Reserve bank and the Federal Reserve Board (1) whether the member bank is complying with the terms of the Federal Reserve Act, the Regulations of the Federal Reserve Board and the conditions of its membership in

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"the Federal Reserve System, and/or (2) as to the loan and investment practices and policies of the member bank and whether its uses of Federal Reserve credit facilities are consistent with the purposes of the Federal Reserve Act, as these have been or may be defined by the Federal Reserve Board, shall not be termed an examination. On this basis, the Board will act promptly in approving or disapproving the request of any Federal Reserve bank or any Federal Reserve Agent for permission to make an investigation without cost."

After discussion, it was voted to refer the above matter to the Board with advice that the Executive Committee concurs in the recommendation of the Committee on Examinations.

The Vice Governor then reported that after consultation with him the Chairman of the Open Market Policy Conference is calling a meeting of the Executive Committee of the Conference to be held in Washington on Monday, June 23rd. He reported that he has advised Governor Young of the meeting over the telephone, but that the Governor will not be in Washington to attend.

Upon motion, the Assistant Secretary was directed to advise the Chairman, the Comptroller of the Currency and Mr. Hamlin of the meeting.

REPORTS OF STANDING COMMITTEES:

Dated, June 16th, Recommending approval of the application of Mr. Nathan D. Prince for permission to serve at the same time as director and officer of the Hartford-Connecticut Trust Company, Hartford, Conn., as director and officer of the Windham County National Bank of Danielson, Conn., and as director of the First National Bank of Rockville, Conn.

Approved.

Dated, June 16th, Recommending approval of the application of Mr. Frank L. Richardson for permission to serve at the same time as director and officer of the Newton Trust Company of Newton, Mass., as director of the Dedham National Bank of Dedham, Mass., and as director of the Appleton National Bank of Lowell, Mass.

Approved.



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REPORTS OF STANDING COMMITTEES:

Dated, June 16th, Recommending approval of the application of Mr. Grant McPherrin for permission to serve at the same time as director and officer of the Central National Bank & Trust Company of Des Moines, Iowa and as director of the First National Bank of Clearfield, Iowa.

Approved.

The meeting adjourned at 12:15 p.m.

C. W. McPherrin  
Assistant Secretary.

Approved:

Edmund Platt  
Vice Governor.