

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, June 20, 1930 at 11:15 a.m.

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

Matter approved on initials on June 19th, namely, application of The National Exchange Bank of Beckley, Beckley, West Virginia, for permission to exercise general fiduciary powers.

Formally approved.

Matter approved on initials on June 19th, namely, application of Mr. Isaac T. Mann for permission to serve at the same time as director of The Bank of Bramwell, Bramwell, West Virginia, as director of The McDowell County National Bank of Welch, West Virginia and as director of the Riggs National Bank of Washington, D. C.

Formally approved.

The Assistant Secretary then presented a telegram just received from the Chairman of the Federal Reserve Bank of Chicago, advising that the Executive Committee, under authority of the board of directors of the bank, has voted to establish a rediscount rate of 3 1/2% on all classes of paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board.

The Vice Governor stated that under the authority granted by the Board on June 16th he will approve the rate established at the Chicago Bank effective tomorrow, June 21st.

The Vice Governor reported that under the authority and direction of the Board at the meeting on June 16th he yesterday approved a discount rate

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of 2 1/2% established by the board of directors of the Federal Reserve Bank of New York on all classes of paper of all maturities, effective today.

In this connection, the Assistant Secretary presented a letter dated June 19th from the Secretary of the Federal Reserve Bank of New York, confirming the action of the board of directors of the bank regarding the discount rate and advising that in accordance with the usual custom the rates on trade bills and repurchase agreements on Government securities were reduced to the new discount rate; the letter also advising that the directors voted to request the Federal Reserve Board to reduce to 1 3/4% the rate established by it as the minimum buying rate for the purchase of bankers acceptances by the bank.

After discussion, action on the minimum buying rate was deferred for a meeting of the Board.

Telegram dated June 19th from Deputy Governor Kenzel of the Federal Reserve Bank of New York, advising of a further reduction of 1/8% in rates of bill dealers and of the establishment, effective today, of the following schedule of buying rates for purchases of bankers acceptances:

1 to 90 days	-	2%
91 to 120 days	-	2 1/8%
121 to 180 days	-	2 3/8%
Repurchase	-	2 1/8%
Trade Acceptances	-	2 1/2%

Without objection, noted with approval.

Telegrams dated June 20th from the Chairman of the Federal Reserve Bank of Chicago and the Governor of the Federal Reserve Bank of St. Louis, advising of the establishment of the following rates for purchases of bankers acceptances:

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1 to 90 days	-	2%
91 to 120 days	-	2 1/8%
121 to 180 days	-	2 3/8%

Without objection, noted with approval.

Telegram dated June 20th from the Secretary of the Federal Reserve Bank of Minneapolis, advising of the establishment of the following schedule of rates on bankers acceptances:

1 to 90 days	-	2%
91 to 120 days	-	2 1/8%
121 to 180 days	-	2 3/8%
Repurchase	-	2 1/8%
Trade acceptances	-	2 1/2%

Without objection, noted with approval.

Telegram dated June 20th from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment of the following rates for purchases of bankers acceptances:

1 to 90 days	-	2 1/8%
91 to 120 days	-	2 1/4%
121 to 180 days	-	2 1/2%

Without objection, noted with approval.

Letter dated June 17th from the Chairman of the Federal Reserve Bank of Dallas, advising of the establishment on June 16th 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%
Repurchase	-	2 1/4%

Without objection, noted with approval.

Telegrams dated June 18th from the Chairman of the Federal Reserve Bank of Boston, June 18th from the Chairman of the Federal Reserve Bank of

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Philadelphia, June 18th from the Chairman of the Federal Reserve Bank of St. Louis and June 19th from the Chairman of the Federal Reserve Bank of San Francisco, all advising that their boards of directors at meetings on the dates stated made no changes in the bank's existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated June 19th from Deputy Governor Burgess of the Federal Reserve Bank of New York, reviewing the conditions and operations in the bill and Government bond markets during the week ending June 19th.

Noted.

The Assistant Secretary then presented a letter from Acting Chairman Teague of the Federal Farm Board, addressed to the Undersecretary of the Treasury and referred by him to the Board, advising of arrangements made by the Federal Farm Board with the Federal Intermediate Credit Bank Managers for a loan to the Cotton Stabilization Corporation for the purpose of assisting in the financing of the taking over from the co-operatives of cotton upon which the Federal Farm Board has loans; the letter advising that both the Federal Farm Board and the Federal Intermediate Credit Bank are desirous of having the Branch Federal Reserve Bank at New Orleans act as custodian of the documents connected with the loan.

Upon motion, the Secretary was instructed to communicate with the Chairman of the Federal Reserve Bank of Atlanta regarding the matter.

Letter dated June 16th from the Governor of the Federal Reserve Bank of San Francisco, summarizing the reasons of that bank for not participating in the recent System purchase of \$50,000,000 of Government securities:

"Recalling somewhat late a remark you made to the effect that when a bank disapproves of the recommendations of the Open Market Policy Conference it might properly advise the Board as to the reasons for its disapproval, I think I may briefly summarize our reasons for not participating in the \$50,000,000 Governments recently purchased as follows:

a. With credit cheap and redundant we do not believe that business recovery will be accelerated by making credit cheaper and more redundant.

b. We find no reason to believe that excessively cheap money will promote or create a bond market, seeing evidence in the recent past to the contrary, and, further, do not consider the promotion or creation of a bond market one of the functions of the Federal Reserve System.

c. We believe that there may come an opportune moment to put money into the market when that action will have a beneficial effect and feel that if, at such a time, our open market portfolio of Governments is excessive there may be hesitation to increase it.

There is much more that might be argued, but I have endeavored to summarize briefly. "

After some discussion of the position taken by the San Francisco Bank, the Vice Governor was requested to bring Governor Calkins' letter to the attention of the Executive Committee of the Open Market Policy Conference when it meets here on Monday.

Letter dated June 18th from Deputy Governor Crane of the Federal Reserve Bank of New York, transmitting monthly compilation of the amount of short term funds held in New York for foreign account, aggregating \$2,575, 194,000, as of May 31, 1930.

Noted.

Letter dated June 19th from Deputy Governor Crane of the Federal Reserve Bank of New York, referring to the arrangement entered into in January with the Argentine Embassy to hold gold under earmark for their account; the letter stating that four deposits were made in all totaling \$4,500,000, that

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withdrawals of these deposits were made from time to time, that the final withdrawal took place on June 18th and that the bank has been instructed by the Argentine Embassy to consider the account closed.

Noted.

Report of Committee on Examinations on letter dated June 18th from the Federal Reserve Agent at Cleveland, requesting permission to make the usual credit investigation of the Middlefield Banking Company, Middlefield, Ohio, without cost to the member bank, at the time it is under examination by State authorities; the Board's Committee recommending approval.

Approved.

Draft of reply to letter dated June 18th from the Assistant Federal Reserve Agent at Atlanta, transmitting analysis of report of the last examination of the Citizens Bank and Trust Company, Savannah, Ga., and inquiring whether or not there is any objection to their informing the bank that if it has not disposed of 1,000 shares of its own stock held to secure indebtedness of the Mercantile National Bank by January 1, 1931, the Board will take action to terminate the membership of the bank; the proposed reply referring to the Board's reluctance to commit itself to action in the future and suggesting that instead of the advice above referred to, the Citizens Bank and Trust Company be informed that unless it has disposed of the shares of its own stock securing the indebtedness of the Mercantile National Bank by January 1, 1931, the Federal Reserve bank will recommend to the Board that it institute proceedings looking to the forfeiture of membership.

Upon motion, the proposed reply was approved.

The Vice Governor then presented copy of a reply made under date of

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June 19th, to a letter received from the Secretary to the President, requesting information relative to legislation enacted since March 4, 1929 of material interest or benefit to the activities under the Board's jurisdiction.

Noted.

Draft of letter to the Commissioner of the Public Debt, Treasury Department, with regard to an audit of the reserve stock of 4,250,000 sheets of incomplete Federal Reserve notes, held at the Bureau of Engraving and printing; the letter advising that it is the desire of the Board that this reserve stock be audited as of June 30, 1930 and that an arrangement to proceed jointly with the Division of Accounts and Audit of the Treasury Department, utilizing the counters of that Division, but with a representative of the Board present, will be satisfactory to the Board.

Upon motion, the above letter was approved and on recommendation of the Assistant Secretary, Mr. George E. Good was designated to participate in the audit as representative of the Board.

Memorandum from Counsel dated June 17th, submitting draft of letter to the Federal Reserve Agent at Chicago, on the subject whether the Board should institute proceedings to revoke Clayton Act permits heretofore issued to Mr. Walter Kasten and four other gentlemen to serve at the same time the First Wisconsin National Bank and the Second Wisconsin National Bank, both of Milwaukee, Wisconsin; the proposed reply stating that the Board will not take any action with reference to the revocation of the permits at this time, but requesting the Federal Reserve Agent to review the circumstances involved in these cases not later than one year from this date and give the Board a definite recommendation as to whether or not

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the permits should then be revoked.

Approved.

Letter dated June 18th from the Comptroller of the Currency, referring to the Board's letter of June 14th transmitting copy of one received from the Federal Reserve Agent at Philadelphia, with regard to the Citizens National Bank and Trust Company, Jenkintown, Pa.; the Comptroller's letter commenting upon the condition of the bank, report of examination of which as of June 12th has not yet been received, and stating that it would appear that action looking toward the forfeiture of the charter of the bank would not be proper at this time.

After some discussion, it was voted to suggest to the Federal Reserve Agent at Philadelphia that the matter be held in abeyance for thirty days, he to advise the Board at the end of that time whether or not the people holding the option on forty percent of the stock of the bank have exercised it, and whether or not he still feels that action looking toward forfeiture of the bank's charter should be taken by the Board.

Memorandum dated June 18th from Counsel, submitting draft of lease on space in the Otis Building, in accordance with a proposal of the owners of the building, approved by the Committee on Salaries and Expenditures, to which the matter was referred with power; Counsel's memorandum calling attention to the fact that the standard form of Government lease is not used although followed as closely as possible, and also that the lease has not been submitted to the Public Buildings Commission, to which it is understood Government leases are referred, inasmuch as previous leases entered into by the Board have never been so submitted.

Upon motion, the Assistant Secretary was instructed to forward the new lease to the owners of the Otis Building for execution.

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Memorandum from Counsel dated June 20th, submitting for publication in the next issue of the Federal Reserve Bulletin (1) the recent amendments to Regulations H, I, K and L, together with a brief introductory statement regarding each; and (2) the Board's recent ruling as to the maximum maturity for rediscount purposes of notes of farmers given to dealers for the purchase of farm implements and as to the limitations on the amount of such notes of any one borrower which may be rediscounted by a Federal Reserve bank.

Upon motion, publication of the data was approved.

REPORTS OF STANDING COMMITTEES:

Dated, June 18th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
19th, Recommendations approved.
20th,

Dated, June 18th, Recommending approval of the application of Mr. Marshall Van Winkle, Jr., for permission to serve at the same time as director of the First National Bank of Jersey City, N. J., and as director of the Central National Bank of Leonia, N. J.

Approved.

Dated, June 18th, Recommending approval of the application of Mr. A. P. Giannini, for permission to serve at the same time as director of the Bank of Italy National Trust and Savings Association, San Francisco, Cal., and as director of the Bank of America, National Association, New York City, N. Y.

Approved.

Dated, June 18th, Recommending approval of the application of Mr. A. J. Mount, for permission to serve at the same time as director and officer of the Bank of Italy National Trust & Savings Association, San Francisco, Cal., and as director of the Bank of America, National Association, New York City, N. Y.

Approved.

Dated, June 20th, Recommending approval of the application of Mr. Harry F. O'Mealia, for permission to serve at the same time as director and officer of the Bergen Trust Company of New Jersey, Jersey City, N. J., and as director of the First National Bank of Jersey City, N. J.

Approved.

Approved:

The meeting adjourned at 1:15 p.m.

Edmund Platt
Vice Governor

C. W. McCalland
Assistant Secretary.