

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, July 22, 1930 at 12:00 o'clock noon.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. James
Mr. Pole
Mr. Noell, Asst. Secretary

Mr. Hamlin referred to the action taken by the Board at the meeting on July 10th in voting to advise the attorneys of the Second National Bank of Boston that it would not be willing to enter into an agreement with the State corporation proposed to be organized by the National bank for the purpose of engaging in international and foreign banking, under which agreement the stock of that corporation would be eligible for purchase by National banks, if such corporation were organized with a capital of only \$100,000. He stated that the attorney for the Second National Bank is in Washington and has conferred with him further with regard to the capitalization of the proposed State corporation and that it is now the plan to organize the corporation with an authorized capital of \$500,000 and to commence business with a paid-up capital of \$100,000 in which amount the Second National Bank of Boston will subscribe to the stock of the corporation. It is also the plan, Mr. Hamlin stated, to gradually increase the paid-up capital stock of the State corporation as the foreign business of the National bank is transferred to it and other business acquired. He further stated that he felt this was a reasonable and satisfactory arrangement and that the Board should approve the application of the corporation for the agreement if presented.

A discussion ensued during which it was the consensus of opinion of the members present that if the application for an agreement were made by the corporation on the basis outlined by Mr. Hamlin it would be approved, and it was the understanding

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that Mr. Hamlin would communicate this opinion to the attorney of the Second National Bank.

Memorandum from Counsel dated July 18th, stating that replies have now been received from all Federal Reserve banks to the Board's letter of June 27th (X-6645), requesting comments or suggestions with reference to amendments to Regulation J which were recommended by the Conference of Counsel of all Federal Reserve banks, all replies except three being favorable to the adoption of the proposed amendments; the memorandum recommending:

- (1) That the amendments to Regulation J recommended by the Conference of Counsel, with certain changes in phraseology and punctuation suggested by Honorable Newton D. Baker and Mr. Wyatt, be adopted by the Board immediately and be made effective on September 1, 1930;
- (2) That all Federal reserve banks be advised of the adoption of these amendments at once, by circular letter;
- (3) That the amended regulation be published in the August number of the Federal Reserve Bulletin; and
- (4) That the amended regulation be printed and distributed as soon as possible.

After some discussion, upon motion, the following resolution was adopted and the other recommendations of Counsel were approved:

"BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, that, effective September 1, 1930, Regulation J is hereby amended as follows:

"(1) Paragraph 1 of Section III is amended by changing the words 'acceptable to the Federal Reserve Bank of the District in which such nonmember banks are located' to read 'acceptable to the collecting Federal reserve bank.'

"(2) Paragraph 3 of Section III is amended by changing the words 'acceptable to the Federal Reserve Bank of the District in which such nonmember bank is located' to read 'acceptable to the collecting Federal reserve bank.'

"(3) Paragraph 2 of Section IV is amended by changing the period at the end thereof to a comma and by adding the following words:

"provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds.'

"(4) Paragraph 3 of Section IV is amended by changing the period at the end thereof to a comma and by adding the following words:

"provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds.'

"(5) Section V is amended to read as follows:

"Section V. Terms of Collection.

"The Federal Reserve Board hereby authorizes the Federal reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember clearing bank which sends checks to any Federal reserve bank for deposit or collection shall by such action be deemed (a) to authorize the Federal reserve banks to handle such checks subject to the following terms and conditions, (b) to warrant its own authority to give the Federal reserve banks such authority, and (c) to agree to indemnify any Federal reserve bank for any loss resulting from the failure of such sending bank to have such authority.

"(1) A Federal reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence and its guaranty of prior indorsements.

"(2) A Federal reserve bank may present such checks for payment or send such checks for collection direct to the bank on which they are drawn or at which they are payable, or in its discretion may forward them to another agent with authority to present them for payment or send them for collection direct to the bank on which they are drawn or at which they are payable.

"(3) A Federal reserve bank may, in its discretion and at its option, either directly or through or from an agent, accept in payment of or in remittance for such checks, cash, bank drafts, transfers of funds or bank credits, or other forms of payment or remittance, acceptable to the collecting Federal reserve bank. The Federal reserve bank shall not be liable

"for the failure of the drawee bank or any agent to pay or remit for such checks, nor for any loss resulting from the acceptance from the drawee bank or any collecting agent, in lieu of cash, of any other form of payment or remittance authorized herein, nor for the nonpayment of, or failure to realize upon, any bank draft or other medium of payment or remittance which may be accepted from the drawee bank or any collecting agent.

"(4) Checks received by a Federal reserve bank which are payable in its own district will ordinarily be forwarded or presented direct to the banks on which they are drawn, and such banks will be required to remit or pay therefor at par in such one or more of the forms of payment or remittance authorized under paragraph (3) hereof as may be acceptable to the Federal reserve bank.

"(5) Checks received by a Federal reserve bank payable in other districts will ordinarily be forwarded for collection to the Federal reserve bank of the district in which such checks are payable; provided, however, that, where arrangements can be made satisfactory to the collecting bank or agent and to the Federal reserve bank of the district in which such checks are payable, any such checks may be forwarded for collection direct to the bank on which they are drawn or at which they are payable, or may be forwarded for collection to another agent with authority to present them for payment direct to the bank on which they are drawn or at which they are payable. All such checks shall be handled subject to all the terms and conditions of this regulation.

"(6) Bank drafts received by a Federal reserve bank in payment of or in remittance for checks handled under the terms of this regulation shall likewise be handled for collection subject to all the terms and conditions of this regulation.

"(7) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection shall have any right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account, deposit account,

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"or other such fund of the drawee bank or of any bank to which such checks have been sent for collection, in the possession of the Federal reserve bank. No draft, authorization to charge, or other order, upon any reserve balance, clearing account, deposit account, or other such funds of a paying, remitting, or collecting bank in the possession of a Federal reserve bank, issued for the purpose of settling items handled under the terms of this regulation will be paid, acted upon, or honored after receipt by such Federal reserve bank of notice of suspension or closing of such paying, remitting, or collecting bank."

Memorandum from Counsel dated July 11th, submitted in response to the action of the Board at the meeting on May 29th, referring to him for report the question as to whether the Board has sufficient data in its possession to rule on the question of whether the public and trust 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%; Counsel stating that it would seem advisable, in view of the large amounts involved, the importance of the question presented and the tremendous importance to the Bank of Italy of the rulings made on this question, for the Federal Reserve Board to request the Federal Reserve Agent of the Federal Reserve Bank of San Francisco to make a complete survey of the situation as affecting the Bank of Italy and any other large member banks in California which he thinks are similarly situated, to make his own findings as to the correctness of the classification of deposits made by the Bank of Italy for the purpose of computing reserves in so far as possible, and to report to the Federal Reserve Board all cases in which he is in doubt or in which he and the examiner can not agree as to the propriety of the classification heretofore made; together with a full statement of all the facts, in order that the Board may rule on all doubtful questions.

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After some discussion, Mr. James' motion which was laid on the table at the meeting of the Board on May 29th, was called up for consideration.

Governor Young moved as a substitute, that Counsel be instructed to prepare a letter to the Federal Reserve Agent of the Federal Reserve Bank of San Francisco, requesting him to make an analysis of those deposits of the Bank of Italy National Trust & Savings Association, the proper classification of which is now in question, and submit the results of his analysis to the Board, together with a full statement of all facts, in order that the Board may rule definitely on whether these deposits should be classified as time or demand deposits.

This motion, being put by the Chair, was unanimously carried.

Report of Law Committee on application of the Lake Norden National Bank, Lake Norden, S. D., for permission to exercise fiduciary powers, Mr. Hamlin recommending approval and Mr. Platt stating that he is unwilling to approve because, in his opinion, the capital of the applicant bank is too small.

After discussion, upon motion, the application was approved, Mr. Platt voting "no".

The Vice Governor then stated that in accordance with the instructions of the Board on June 16th, he had as Executive Officer of the Board, approved a rediscount rate of $3 \frac{1}{2}\%$ on all classes of paper of all maturities for the Federal Reserve Bank of Richmond, effective July 18th.

Telegrams dated July 21st from the Deputy Governor of the Federal Reserve Bank of New York, the Deputy Governor of the Federal Reserve Bank of Boston, and the Secretary of the Federal Reserve Bank of Minneapolis, all advising of the establishment of the following schedule of effective buying rates on bankers' acceptances:

1 to 75 days	-	$1 \frac{7}{8}\%$
76 to 90 days	-	2%

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

Without objection, noted with approval.

Telegram dated July 21st from the Chairman of the Federal Reserve Bank of Chicago, advising of the establishment of the following schedule of effective buying rates on bankers' acceptances:

1 to 75 days	-	1 7/8%
76 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 July 21st from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment of the following schedule of effective buying rates on bankers' acceptances:

1 to 75 days	-	2%
76 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.

Telegram dated July 16th from the Chairman of the Federal Reserve Bank of Boston, letter dated July 17th from the Secretary of the Federal Reserve Bank of New York, telegram dated July 16th from the Chairman of the Federal Reserve Bank of Philadelphia, and telegram dated July 17th from the Deputy Chairman of the Federal Reserve Bank of San Francisco, all advising that at meetings of their boards of directors on the dates stated no changes were made in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Report of Committee on Examinations on letter dated July 15th from

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the Federal Reserve Agent at Cleveland, requesting permission to make the usual investigation of three State member banks, listed in his letter, without cost to them, at the time they are under examination by State authorities; the Board's Committee recommending approval.

Upon motion, it was voted to interpose no objection to the making of the investigations referred to.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Richmond and San Francisco, of employees for whom the directors of those banks approved leaves of absence with pay, on account of illness, during the month of June, 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.

Report of Committee on Salaries and Expenditures on letter dated July 14th from the Chairman of the Federal Reserve Bank of Minneapolis, advising that Mr. Harry I. Ziemer has been elected cashier of that bank to succeed Mr. Gray Warren, which position he will hold in addition to his position as Deputy Governor, the letter also advising of the election of Mr. R. F. Homstrom as Assistant Cashier of the bank with an increase in salary from \$3,700 to \$4,500 per annum.

Upon recommendation of the Committee, it was voted to approve the salary increase involved in the action of the Minneapolis directors.

Governor Young then stated that the Governor of the Federal Reserve Bank of Chicago had advised him that Mr. K. C. Childs, Controller, is planning on leaving the bank to accept another position, that Deputy Governor

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Blair is in very poor health and it is planned to promote Mr. J. H. Dillard, which promotion will involve an increase in salary. The Governor stated that Governor McDougal had brought this matter to his attention as he did not want to embarrass the Board by presenting for its approval a recommendation of an increase in the salary of one of their officers at the middle of the year. Governor Young stated that he had advised Governor McDougal that the Board had approved increases on several previous occasions for employees who had been given a promotion and for whom the directors had approved an increase during the course of the year, and that such a recommendation from the Chicago bank would not embarrass the Board in any way.

This statement was concurred in by the members
of the Board present.

Report of Committee on Salaries and Expenditures on letter dated July 16th from the Deputy Governor of the Federal Reserve Bank of New York, submitting, for the approval of the Board, a change in the personnel classification plan of that bank under which would be created the position of Assistant Chief in the Credit Division of the Loan and Discount Department and Senior Clerk in the Clearings Division of the Check Department; the Board's Committee recommending approval.

Approved.

Report of Committee on Examinations on letter dated July 19th from the Federal Reserve Agent at St. Louis, submitting and recommending approval of the application of the Union Planters National Bank and Trust Company, Memphis, Tennessee, for permission to accept drafts and bills of exchange up to 100 per cent of its paid-up and unimpaired capital and surplus under the provisions of Section 13 of the Federal Reserve Act; the Board's Com-

mittee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated July 17th from the Federal Reserve Agent at St. Louis, submitting and recommending approval of the application of the Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri, for permission to accept drafts and bills of exchange up to 100 per cent of its paid-up and unimpaired capital and surplus under the provisions of Section 13 of the Federal Reserve Act; the Board's Committee recommending approval.

Approved.

Report of Committee on Examinations on letter dated July 14th from the Federal Reserve Agent at Richmond, submitting application of the Broadway Bank and Trust Company of Richmond, Virginia, for permission to hold in its assets three blocks of bank stocks purchased by it in violation of one of its conditions of membership, the Federal Reserve Agent and the Board's Committee recommending that the bank be permitted to carry the stocks for a reasonable length of time.

After some discussion, upon motion, it was voted to permit the bank to retain in its assets the three blocks of bank stock purchased by it.

Memorandum from Counsel dated July 17th, submitting draft of a reply to letter dated July 14th from the Federal Reserve Agent at Richmond, advising that the Broadway Bank and Trust Company of Richmond owns all the capital stock of the Main Street Security Company, with the exception of three shares, and that the latter in turn owns five hundred and twenty shares of the stock of the Broadway Bank and Trust Company, and inquiring whether this situation

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is a violation of Section 9 of the Federal Reserve Act requiring State member banks to conform to the provision of law prohibiting a National bank from lending on or purchasing its own stock; the proposed reply advising that the indirect ownership of its own stock by the Broadway Bank and Trust Company is contrary to the spirit and purpose of the law and requesting the Agent to ask the bank to make arrangements to correct the situation within a reasonable time.

Upon recommendation of the Law Committee, the proposed reply was approved.

Memorandum from Counsel dated July 19th, submitting draft of a letter to the Federal Reserve Agent at Chicago, with further regard to the legality under the provisions of the Clayton Act, of the service of Mr. Walter Kasten on the boards of directors of certain Milwaukee banks.

Upon recommendation of the Law Committee, the proposed letter was approved.

Memorandum from Counsel dated July 15th, advising that in accordance with the action taken at the meeting on June 18th, the Federal Reserve Agent at Minneapolis has now forwarded to the Board application of the Swift County Bank, Benson, Minnesota, made by the Cashier, for the cancellation of the Federal Reserve bank stock held by it, the application requesting that the Board waive the usual six months' notice required and permit the bank to withdraw immediately from membership in the Federal Reserve System; Counsel's memorandum also stating that there is no legal reason why the request should not be complied with.

Upon motion, it was voted to waive the usual six months' notice of intention to with-

and to permit withdrawal of the bank immediately; also, to authorize cancellation of the Federal Reserve bank stock held by the member bank.

Memorandum from Counsel dated July 18th, recommending that the following be published in the next issue of the Federal Reserve Bulletin:

1. A copy of the Board's Regulation "A" as recently revised, effective August 1st;
2. A copy of the recent amendment to the law with reference to the election of directors of Federal Reserve banks;
3. A copy of the recent amendment to the law authorizing National banks to surrender trust powers under certain circumstances;
4. A copy of the recent amendment to the law with regard to the assessment of costs of examinations against member banks.

Upon recommendation of the Law Committee, the publication of the material referred to was approved.

Letter dated July 17th from Deputy Governor Burgess of the Federal Reserve Bank of New York, reviewing conditions and operations in the Government securities and bill markets during the previous week.

Noted.

Memorandum from Counsel dated July 16th, with regard to the inquiry of the Exchange National Bank of Ardmore, Oklahoma, as to whether some arrangement might be worked out whereby remittances on bill of lading drafts from non member banks in the St. Louis District might be credited to the account of the Exchange National Bank with the Federal Reserve Bank of Kansas City, the memorandum reviewing a number of suggestions which have been offered to take care of the problem and submitting draft of a letter to the Exchange National Bank outlining two of these suggestions for the bank's consideration.

After discussion, upon motion, it was voted to refer the proposed letter to the Federal Reserve

Banks of Kansas City and St. Louis, with the suggestion that the Deputy Governors of the two banks confer with the President of the Exchange National Bank of Ardmore and, on the basis of the suggestions contained in the letter, endeavor to work out something which would be mutually satisfactory and still permit the Federal Reserve banks to operate within the limitations imposed by the existing law.

Reports of examination of the Federal Reserve Banks of Minneapolis, Dallas and San Francisco, submitted by the Board's Examiner in Charge on July 14th, 11th and 16th, respectively.

Referred to the Committee on Examinations and the appropriate District Committees.

Mr. Hamlin then stated that in accordance with the instructions of the Board at the meeting on July 1st, the Committee on District No. 1 had canvassed the situation with regard to the appointment of a Class "C" Director at the Federal Reserve Bank of Boston to succeed Mr. Charles H. Manchester, deceased. He stated that the Committee would like to recommend to the Board the appointment of Mr. Charles H. Merriman, a retired cotton merchant in Providence, Rhode Island, and requests authority to have the Federal Reserve Agent at Boston confer with Mr. Merriman to ascertain whether or not he would accept the appointment if offered to him.

Upon motion, the Committee was authorized to confer with Mr. Merriman through the Federal Reserve Agent of the Federal Reserve Bank of Boston, with regard to the appointment.

REPORTS OF STANDING COMMITTEES:

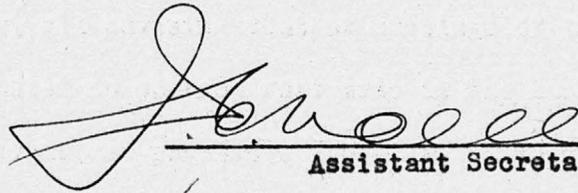
Dated, July 10th, Recommending changes in stock at Federal Reserve banks
16th, as set forth in the Auxiliary Minute Book of this date.
18th, Recommendations approved.
19th,
22nd,

REPORTS OF STANDING COMMITTEES: (Cont'd)

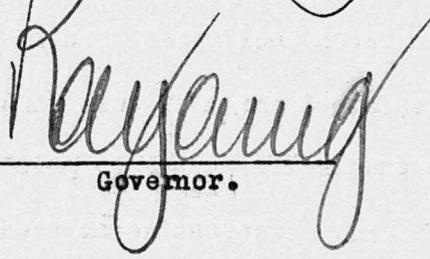
Dated, July 16th, Recommending action on applications for fiduciary powers
18th, as set forth in the Auxiliary Minute Book of this date.
19th Recommendations approved.

Dated, July 18th, Recommending approval of the application of Mr. Walter
J. Hubbard, Jr. for permission to serve at the same
time as officer of the Fletcher American National Bank
of Indianapolis, Ind., and as director of the Virginia
Avenue State Bank of Indianapolis, Ind.
Approved.

The meeting adjourned at 1:10 p.m


Assistant Secretary.

Approved:


Governor.