

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, July 25, 1930 at 11:45 a.m.

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

Letter dated July 24th from the Secretary of the Federal Reserve Bank of New York, telegram dated July 25th from the Chairman of the Federal Reserve Bank of Chicago and telegram dated July 24th from the Secretary of the Federal Reserve Bank of Kansas City, 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.

Letter dated July 21st from the Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment of the following schedule of 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 22nd from the Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment of the following schedule of 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%
Repurchase	-	2%

Without objection, noted with approval.

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Memorandum from the Assistant Director of the Division of Research and Statistics, dated July 24th, recommending the temporary appointment of Mrs. Grace M. Idler as a statistical clerk in that division for a period of two months from July 28, 1930, with salary at the rate of \$120 per month.

Approved.

The Assistant Secretary then stated that as a result of the Brookhart Bill, recently passed by Congress, the telephone operators in the Treasury Building received certain increases in salary, and he recommended that the Board approve for Miss Catherine M. Burke, Assistant Chief Telephone Operator on the Treasury Department Exchange, whose salary is paid by the Board under an arrangement with the Treasury Department, an increase from \$1680 to \$1740 per annum, effective August 1st.

Approved.

Memorandum from Counsel dated July 23rd, with regard to letter dated July 16th from the Chairman of the Federal Reserve Bank of Atlanta advising that the Executive Committee of the bank had authorized, subject to the approval of the Board, the payment of \$2500 to Robert S. Parker, attorney, for services rendered in the case of Bobbitt et al v. Federal Reserve Bank of Atlanta et al; Counsel's memorandum stating that the case in question was one of unusual difficulty and involved an unusual amount of work, and recommending that the payment of the fee be approved.

Approved, upon recommendation of the  
Law Committee.

Report of Committee on Examinations on letter dated June 17th from the Federal Reserve Agent at St. Louis, with further regard to the appli-

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cation of the Guaranty Bank and Trust Company of St. Louis, Mo. for a reduction in its reserve requirements from 10% to 7% of demand deposits, which application was refused by the Board on May 15th; the Committee stating that although this is a border line case, the fact that other competing neighborhood banks enjoy reduced reserve requirements would seem sufficient justification for the Board to resolve any doubt in favor of the bank, especially as both the Federal Reserve Agent and Deputy Governor of the Federal Reserve Bank of St. Louis have stated that in their opinion the bank is entitled to the reduction in reserves applied for; the Committee also recommending, on the basis of additional information furnished by the applicant bank, that the Board reconsider its previous action on this application and approve the reduction requested.

After discussion, upon motion, it was unanimously voted to reconsider the previous action taken on the application and to approve a reduction in the reserve requirements of the Guaranty Bank and Trust Company from 10% to 7% of demand deposits.

Mr. James then referred to the memorandum regarding the redemption of Canadian currency under the plan made effective on April 15, 1930, which was ordered circulated at the meeting on July 15th, and called attention to the fact that during the months of April, May and June the discount charged for redemption under this plan amounted to a total of only approximately \$153; he suggesting that this expense might well be absorbed by the Federal Reserve banks.

After discussion, during which some of the members expressed the opinion that if the Federal Reserve banks should absorb the cost of redeeming Canadian currency, a precedent might be established which the System would not want to follow if the rate of discount were greatly

increased or offerings for redemption became large, Mr. James moved that the entire cost of the redemption of Canadian currency under the procedure now in effect be absorbed by the Federal Reserve banks.

This motion, being put by the Chair, was lost the members voting as follows:

Mr. Hamlin, "aye"  
Mr. James, "aye"  
Governor Young, "no"  
Mr. Platt, "no"  
Mr. Pole, "no"

Letter dated July 16th from the Deputy Governor of the Federal Reserve Bank of New York, advising that the aggregate amount of short term funds held in New York for account of foreign banks amounted to \$2,550,901,000 on June 30, 1930, a decrease from the previous month of \$24,293,000.

Noted.

Letter dated July 24th from the Deputy Governor of the Federal Reserve Bank of New York, advising of conditions and operations in the Government security and bill markets for the period from July 17th to July 24th, 1930.

Noted.

The Assistant Secretary then presented for consideration of the Board the matter which was ordered circulated at the meeting of the Board on July 15th, namely, memorandum from Counsel dated July 11th submitting draft of reply to a letter from the Comptroller of the Currency with regard to a plan of uniform trusts which the Trust Department of the First and Merchants National Bank of Richmond, Virginia, proposes to put into operation; the proposed reply stating that the Board has reached the conclusion that the plan does not contravene any of the provisions of the Federal Reserve Act or of the Federal Reserve Board's regulation with regard to the trust departments of National banks.

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

Memorandum from Counsel dated July 24th, submitting draft of a letter to the Attorney General with regard to the investigation of the recent payroll theft at the Federal Reserve Bank of Boston; the proposed letter stating that the Board has caused the matter to be investigated by the Federal Reserve Agent at Boston and enclosing a copy of the Federal Reserve Agent's report.

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

The Assistant Secretary then presented draft of a letter to the Federal Reserve Agent at Boston, prepared at the request of the Law Committee, advising that in view of the fact that the Atlantic Corporation of Boston the entire capital stock of which is held by the Atlantic National Bank of Boston under permission granted by the Board, has never functioned as a foreign banking corporation and that its activities consist solely of the purchase and sale of securities, and the further fact that on February 28th, on which date the Corporation was examined by the Board's Examiners, the Corporation held deposit balances of customers in this country of \$138,000 in violation of its agreement with the Board, the Board's Counsel is of the opinion that the National bank has no lawful authority to hold the stock of the Atlantic Corporation and that in accordance with the provisions of Section 25 of the Federal Reserve Act may be required to divest itself of such stock; the letter requesting that the Agent discuss the matter with the Atlantic National Bank and suggest that unless the stock is disposed of within a reasonable time or the character of the activities of the Corporation changed to that contemplated by its agreement with the Board, it will be necessary for the Board to proceed formally to have the National bank give up its stock holdings in the State corporation and to

cancel the existing agreement.

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

Report of Committee on Examinations on letter dated July 23rd from the Federal Reserve Agent at Richmond, submitting and recommending approval of the application of the Maryland Trust Company of Baltimore, Maryland, a member bank, for permission to merge into that institution the Drivers and Mechanics National Bank of Baltimore and the Continental Trust Company of Baltimore; the Board's Committee also recommending approval.

Approved.

Memorandum from Counsel dated July 24th, submitting draft of a letter to the Federal Reserve Agent at Minneapolis, requesting that before the Board takes any action on the application of the State Bank of Anoka, Minn., for cancellation of the Federal Reserve bank stock held by it, the bank having reduced its capital stock to an amount less than that required of a national bank, that the Federal Reserve Agent make a definite recommendation as to whether the Board should hold a hearing and expel the bank for violation of the provisions of the Federal Reserve Act, whether it should treat the application as notice of intention to withdraw from membership, or whether the Board should waive the usual requirement of six months' notice of intention to withdraw and permit the member bank to withdraw immediately.

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

Mr. Platt then referred to the matter on which action was deferred at the meeting on June 25th, namely, report of Committee on Examinations suggesting an amendment to the Board's letter of January 26, 1929 (X-6223) on the subject of examination of member banks. He stated that the President has

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now approved the bill making it optional with the Federal Reserve Board as to whether charges for examinations shall be assessed against the member banks examined and that the Board is now in a position to adopt a definite policy and procedure with regard to examinations of member banks and the assessment of charges therefor.

He then moved that the Board reconsider the resolutions adopted by it at the meeting on October 10, 1928, and adopt the following revised resolutions as a basis for such a policy and procedure:

"BE IT RESOLVED, That the Federal Reserve Board recognizes its duty under the Federal Reserve Act to keep itself informed as to the condition of all member banks;

"BE IT FURTHER RESOLVED, That the Board is of the opinion that it is justified in relying upon the Comptroller of the Currency for such information as to National banks;

"BE IT FURTHER RESOLVED, That whenever the reports of examination of State member banks furnished by the State authorities are not deemed satisfactory either to the Federal reserve bank of the district concerned or to the Federal Reserve Board, the Federal reserve bank or the Board shall cause to be made at least one examination or investigation each year of such character as to furnish satisfactory information;

"BE IT FURTHER RESOLVED, 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 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."

Mr. Platt's motion, being put by the Chair,  
was unanimously carried.

Mr. Platt then submitted as a recommendation of the Committee on Examinations, draft of a letter to all Federal Reserve Agents advising of the adoption of the revised resolutions with regard to examinations of member banks, stating

that the Federal Reserve Agents are charged with the duty of seeing to it that the Board's views as covered in the resolutions are carried out, and submitting the following instructions as a guide to the Federal Reserve Agents in the performance of their duties:

"1. The Comptroller of the Currency is a member of the Federal Reserve Board and under the law is charged with the responsibility of enforcing the terms of the National Bank Act and also of the Federal Reserve Act. The Board therefore relies upon the Comptroller of the Currency to perform his duties and it will not be necessary for the Federal reserve agent to duplicate the work.

"2. In the opinion of the Board, State reports of examination can be relied upon in the great majority of cases to furnish the necessary information to the agents.

"3. If a state examination is unsatisfactory, and an investigation will not provide sufficient information upon which the agents may act intelligently a complete examination should be made for which the member banks should be charged. It is realized, however, that in some instances unusual circumstances may exist which would warrant the Board's exercising the discretion vested in it under the recent amendment and waiving charges for specific examinations. Any case which, in the opinion of the Federal Reserve Agent, warrants such special consideration should be submitted to the Board in advance, with a complete statement of the reasons why it is considered desirable to have the examination charges waived by the Board. Examinations of state banks incident to their admission to membership in the System may be made without charge.

"4. Any investigation of a member bank made for the purpose mentioned in the last paragraph of the resolution of the Board set out above may be conducted by the Federal reserve agent without charge and without reference to the Board.

"5. The Federal reserve agent will continue to furnish the Board with an analysis on F.R.B. Form 212 of each State member bank examination report received by him whether made by state authorities or under his own supervision, unless in some exceptional case it is desired that the Board should have before it the complete report of examination.

"6. If the Federal reserve agent has evidence in the form of letters or otherwise, that officers and directors of State member banks have had their attention called to violations of the law and unsound banking practices by State authorities, it is not necessary for the agent to duplicate this work.

"7. If this supervision is not conducted by State authorities the Federal reserve agent is directed to take such action, as in his opinion, will discharge the responsibilities of the Board.

"8. When a State member bank fails to correct irregularities within a reasonable time so as to show material improvement in its condition, the Federal reserve agent will be expected to lay the



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"information before the directors of his bank and ask them to make a formal recommendation to the Federal Reserve Board, with reasons, as to whether or not the State member bank should continue as a member."

Upon motion, the proposed letter was approved and ordered transmitted as superseding the Board's letter of January 26, 1929 (X-6223) on the same subject.

Mr. Hamlin then moved that as it is likely that a quorum of the Board will not be available during the next several days, the Executive Officer be authorized to approve the application of the State corporation to be organized by the Second National Bank of Boston for an agreement with the Board as provided in Section 25 of the Federal Reserve Act, under which the stock of the corporation would be eligible for purchase by a national bank, and to approve the application of the Second National Bank of Boston for authority to purchase stock in the State corporation in the amount of \$100,000, which latter application is now before the Board, provided the application of the State corporation is submitted to the Board on the basis outlined by Mr. Hamlin at the meeting on July 22nd.

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

The minutes of the meetings of the Federal Reserve Board held on July 10th, 15th and 22nd were read and approved.

REPORTS OF STANDING COMMITTEES:

Dated, July 23rd, 24th, 25th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, July 16th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

Dated, July 22nd, Recommending approval of the application of Mr. J. Walter Levering for permission to serve at the same time as director of the Camden Safe Deposit & Trust Company, Camden, N. J., and as director of the Oaklyn National Bank, Oaklyn, N. J.

Approved.

Dated, July 22nd, Recommending approval of the application of Mr. C. L. Wilkins for permission to serve at the same time as director of the State National Bank of Houston, Texas and as director and officer of the Farmers National Bank of Brenham, Texas.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, July 22nd, Recommending approval of the application of Mr. Emil G. Seip for permission to serve at the same time as director and officer of the Calumet National Bank of Chicago, Ill., as director of the Foreman-State National Bank, Chicago, Ill., and as director and officer of the Sheridan Trust & Savings Bank, Chicago, Ill.

Approved.

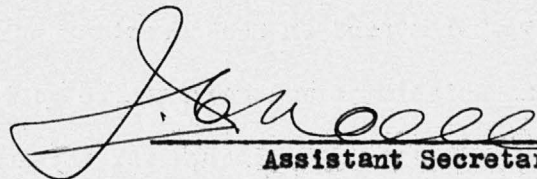
Dated, July 22nd, Recommending approval of the application of Mr. W. G. Montgomery for permission to serve at the same time as director of the Lincoln National Bank of Hodgenville, Ky., as director of the Citizens Union National Bank, Louisville, Ky., and as director and officer of the First-Hardin National Bank of Elizabethtown, Ky.

Approved.

Dated, July 23rd, Recommending approval of the application of Mr. Chester D. Masters for permission to serve at the same time as director and officer of the Calumet National Bank, Chicago, Ill., and as director of the First National Bank of Wilmette, Ill.

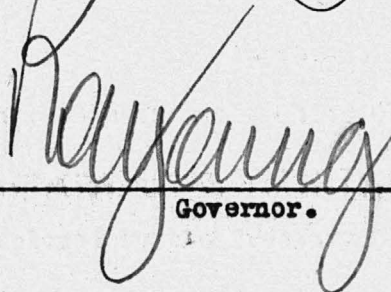
Approved.

The meeting adjourned at 12:45 p.m.



Assistant Secretary.

Approved:



Governor.