A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, August 8, 1930 at 11:50 a.m.

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

Governor Young stated that in response to his telegram of August 6th Mr. Cunningham had replied that he would approve the purchase of $25,000,000 of Government securities for System account, which purchase was approved by the Executive Committee at the meeting on August 6th.

The Governor then reported 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 1/2% on all classes of paper of all maturities for the Federal Reserve Bank of St. Louis, effective August 7th, and a rate of 3 1/2% on all classes of paper of all maturities for the Federal Reserve Bank of San Francisco, effective today.

Letter dated August 7th from the Assistant Secretary of the Federal Reserve Bank of New York, telegram dated August 6th from the Chairman of the Federal Reserve Bank of Philadelphia, telegram dated August 8th from the Secretary of the Federal Reserve Bank of Cleveland and telegram dated August 8th from the Chairman of the Federal Reserve Bank of Atlanta, 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.

Matter approved on initials on August 7th, namely, letter dated
August 7th from the Comptroller of the Currency, recommending approval by the Board of a salary of $6,500 per annum for National Bank Examiner Karl E. Prickett, assigned to the Second Federal Reserve District.

Formally approved.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Minneapolis and Dallas of employees of those banks who were granted leaves of absence with pay, on account of illness, during the month of July, 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 Mr. Hamlin stating that in accordance with the practice of increasing salaries of Secretaries of Members of the Board on the anniversary dates of their employment, he had increased the salary of his Secretary, Mrs. Margaret L. Nagle, from $2,800 to $2,900 per annum, effective August 1, 1930.

Noted.

Report of Executive Committee on letter dated August 5th from the Assistant Federal Reserve Agent at Cleveland, submitting and recommending approval of the application of the Fifth-Third Union Trust Company, Cincinnati, Ohio, for permission to purchase, under court order, the assets of the Cosmopolitan Bank and Trust Company of Cincinnati, a nonmember bank, which latter institution was closed on June 10th and placed in the hands of the Superintendent of Banks for liquidation; the Board's Committee recommending approval.

Approved.
Memorandum from Counsel dated August 5th, recommending that the digest of State laws relating to bank reserves, recently prepared by Counsel for the information of the Committee on Member Bank Reserves, be published in the September issue of the Federal Reserve Bulletin.

Upon recommendation of the Law Committee, the publication of the digest was approved.

Letter dated August 7th from Deputy Governor Rounds of the Federal Reserve Bank of New York, reviewing conditions and operations in the Government security and bill markets for the period from July 31st to August 7th, 1930.

Noted.

The minutes of the meeting of the Federal Reserve Board held on July 25th were read and approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on July 29th, August 5th and 6th were read, and the actions recorded therein were ratified.

The Governor then reported that in accordance with the action of the Executive Committee on August 6th he had referred to the Comptroller of the Currency draft of the letter to the Federal Reserve Agent at San Francisco, prepared by the Board's Counsel, with regard to the classification of certain deposits of the Bank of Italy National Trust and Savings Association, that the Comptroller had referred the letter to Deputy Comptroller Awalt who had advised that he has no objections to offer to it, and that the letter has accordingly been transmitted to the Federal Reserve Agent at San Francisco.

Mr. Hamlin then referred to the report made by him at the meeting of
the Executive Committee on August 5th in which he stated that Mr. Charles H. Merriman of Providence, R. I. had indicated his willingness to accept appointment as Class C Director of the Federal Reserve Bank of Boston to succeed Mr. Charles H. Manchester, deceased, and moved that Mr. Merriman be appointed as a Class C Director of the Boston bank for the unexpired portion of the term ending December 31, 1931.

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

Memorandum from Counsel dated July 31st with regard to the application of the National City Bank of New York City, submitted in accordance with the Board's letter of July 10, 1930, for permission to establish a second branch of that bank in Mayaguez, Porto Rico; Counsel's memorandum stating that the application is in proper form and there is no legal reason why it should not be approved. The Assistant Secretary stated that approval of the application is recommended by the Federal Reserve Agent at New York and the Comptroller of the Currency; the Board's Law Committee also recommending approval.

Upon motion, the following was ordered spread upon the minutes:

"THE NATIONAL CITY BANK OF NEW YORK, having on or about July 29, 1930, filed an Application with this Board for the purpose of obtaining authority to establish a Second Branch of this Bank in MAYAGUEZ, PORTO RICO, 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 Second Branch of this Bank in MAYAGUEZ, PORTO RICO."

Memorandum from Counsel dated July 31st, submitting an application by the National City Bank of New York for permission to establish a branch of that bank in the Retiro District in the City of Buenos Aires, Argentine Republic, the memorandum stating that the application is in proper form and there is no
legal reason why it should not be approved. The Assistant Secretary stated that approval of the application is recommended by the Federal Reserve Agent at New York and by the Comptroller of the Currency, the Board's Law Committee also recommending approval.

Upon motion, the following was ordered spread upon the minutes:

"THE NATIONAL CITY BANK OF NEW YORK, having on or about July 29, 1930, filed an Application with this Board for the purpose of obtaining authority to establish a Branch in the Retiro District in the City of Buenos Aires, ARGENTINE REPUBLIC, 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 the Retiro District in the City of Buenos Aires, ARGENTINE REPUBLIC."

Memorandum from Counsel dated July 29th with regard to letter dated July 25th from the Federal Reserve Agent at St. Louis, recommending that the Mercantile-Commerce Bank and Trust Company of St. Louis be permitted to hold indefinitely the stock of the Mercantile-Commerce National Bank of St. Louis; Counsel's memorandum calling attention to the fact that when the former institution was admitted to membership in 1929 the Board approved its holding the stock of the national bank until the trust business of the latter was terminated or turned over to the Mercantile-Commerce Bank and Trust Company, that it now appears that it will require an indefinite period of time to dispose of some of the trusts, and that the national bank expects to resume an active banking business as a neighborhood bank, the question now before the Board being whether or not it will permit the Mercantile-Commerce Bank and Trust Company to hold indefinitely the stock of the national bank, there being no legal reason why the Board should not grant such permission
should it desire to do so.

After some discussion during which some of the members expressed themselves as being unwilling to vote on this matter at the present time, action was deferred for a later meeting of the Board.

Report of Executive Committee on letter dated August 6th from the Assistant Federal Reserve Agent at New York, submitting and recommending approval of the application of the Times Square Trust Company of New York City, for permission, as required under its conditions of membership, to reduce its capital stock from $2,000,000 to $1,000,000; a part of the reduction being transferred to the surplus account of the bank and the balance set up in a reserve account for contingencies; the Assistant Federal Reserve Agent's letter stating that when the capital of the bank was reduced, the condition of membership requiring prior permission of the Federal Reserve Board to make such a reduction, was inadvertently overlooked.

Mr. James submitted a statement that, in his opinion, the Board should not sanction the violation by this bank of its conditions of membership for the reason that when a bank joins the System under conditions imposed by the Board, the Board owes a duty to itself, to the System, and to the public to see that those conditions are met, and that he would suggest that steps be taken by the Board to forfeit the membership of the bank or at least to have the bank show cause why its membership should not be forfeited.

After some discussion, Governor Young moved that the application of the member bank to reduce its capital from $2,000,000 to $1,000,000 be approved.

Mr. James moved, as a substitute, that the Board take steps to have the bank show cause why its member-
ship should not be forfeited for violation of the conditions under which it was admitted to membership in the Federal Reserve System.

Mr. James' substitute motion, being put by the Chair, was lost, the members voting as follows:

Mr. James, "aye"
The Chairman, "no"
Governor Young, "no"
Mr. Platt, "no"
Mr. Hamlin, "no"

Governor Young's original motion was then put by the Chair and unanimously carried.

The Governor then presented application made by the Peoples National Bank, Elizabeth, N. J., on behalf of the Peoples Banking and Trust Company, Elizabeth, N. J., a reorganization of the national bank, for membership in the Federal Reserve System and for 300 shares of stock in the Federal Reserve Bank of New York. The Governor called attention to a memorandum by Mr. James, attached to the application, in which he states that in view of the examiner's criticisms, the large line of paper listed as slow, doubtful and losses, and the large line of public deposits, he would suggest that admission of the reorganized bank be deferred until it has improved its condition and showed conclusively that it is entitled to membership. Governor Young stated that he has conferred with the Federal Reserve Agent at New York with regard to this application and while it would appear that the bank is not strictly a first class banking institution it would seem from the past record of the national bank that the reorganized bank is entitled to membership in the Federal Reserve System at the present time.

After some discussion, upon motion by Governor Young, it was voted to approve the application for
membership and for 300 shares of stock in the Federal Reserve Bank of New York, Mr. James voting "no".

It was also voted to approve cancellation of the Federal Reserve bank stock now held by the Peoples National Bank of Elizabeth, effective if and when notice is received from the Comptroller of the Currency that the bank has been placed in liquidation.

The Governor then stated that there is some possibility, in view of the present agricultural and business conditions in some of the interior Federal Reserve Districts, that some of those banks may desire to reduce their discount rates as much as 1%, and that in view of the fact that a quorum of the Board will not be present in Washington for the next several days, he would like to have, as Executive Officer, authority to approve discount rates down to 3%, if and when voted by any Federal Reserve bank.

Upon motion, the authority requested by Governor Young was granted.

Mr. Platt then moved that the authority given the Executive Officer of the Board on June 16th to approve reductions in discount rates at Federal Reserve banks of not exceeding 1/2% below the then effective rates, excluding the Federal Reserve Bank of New York, be extended to 1/2% below the rates now in effect.

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

Governor Young then referred to the possibility of a recommendation from the Open Market Policy Conference of approval by the Board of the purchase in the near future of additional amounts of Government securities and he requested that in the absence of a quorum of the Board, he be authorized to confer by telephone with the absent members of the Board, if and when such recommendations are made by the Conference, and, if a majority of the Board favors the proposed open market operation, to approve additional purchases of Government
securities as recommended by the Conference.

After some discussion, upon motion, the authority requested by Governor Young was granted.

REPORTS OF STANDING COMMITTEES:

Dated, July 30th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, August 5th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, August 6th, 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.

The meeting adjourned at 12:45 p.m.

Approved:

Chairman.