A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, September 3, 1930 at 10:45 a.m.

PRESENT: The Chairman
Vice Governor Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Pole
Mr. McClelland, Asst. Secretary

The Vice Governor stated that special order of business for this meeting would be consideration of the following telegram received yesterday from the Secretary of the Open Market Policy Conference:

> "In view of the desirability of maintaining the present easy money position and the possibility that seasonal requirements and gold exports may bring about a change in the situation if no action is taken a majority of the members of the Open Market Policy Conference recommends the authorization of a purchase of Government securities up to $50,000,000 with the understanding that this authority is to be exercised only if necessary as a supplement to bill purchases in offsetting seasonal demands for credit, gold exports, or other influences towards firmer money which might interfere with the continuance of present money conditions. We should appreciate your advising us of the action of the Board on this recommendation."

In this connection, the Assistant Secretary also read a letter dated August 29th from the Governor of the Federal Reserve Bank of San Francisco regarding the procedure followed by the Open Market Policy Conference in determining upon the above recommendation which, as he sees it, is exactly contrary to the procedure contemplated when the Open Market Policy Conference was organized, under which the Conference should adopt an affirmative or a negative plan effective until cancelled or reversed after adequate discussion and consideration.

During the discussion which ensued, members of the Board expressed agreement with Governor Calkins' opinion regarding the procedure followed

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by the Open Market Policy Conference, but it was the consensus of opinion that in the present case, however, due to the fact that it will soon be necessary to call the Governors of the Federal Reserve banks to Washington for their regular Fall Conference, that it would not be desirable to call a special meeting of the Open Market Policy Conference at this time. The question of the date of the Fall Conferences of Governors and Federal Reserve Agents was then raised. Attention was called to the fact that the annual convention of the American Bankers Association will be held in Cleveland beginning Monday, September 29th and for the convenience of Chairmen and Governors who might like to attend the convention, it would be desirable to hold their Fall Conferences either just before or after the convention.

Upon motion by Mr. James, it was voted to fix Monday, October 6th, as the date for opening the Fall Conferences of Governors and Federal Reserve Agents with the Joint Conference on Wednesday, October 8th, if possible.

After further discussion, relative to the recommendation of the Open Market Policy Conference, Mr. Hamlin moved that the Board grant the authority requested by the Open Market Policy Conference for the purchase of Government securities up to $50,000,000, with the understanding that this authority is to be exercised only if necessary as a supplement to bill purchases in offsetting seasonal demands for credit, gold exports or other influences toward firmer money, which might interfere with the continuance of present money conditions, and with the further understanding that the whole question of Open Market Policy will be reconsidered at a meeting to be held at the time of the Fall Conference of Governors.

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

Matter approved on initials yesterday, namely, letter dated August 28th from the Chairman of the Federal Reserve Bank of Boston, advising that the

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directors at their meeting on August 27th appointed Mr. Roy A. Young as Governor of the bank to fill the vacancy caused by the death of Mr. W. P. G. Harding and fixed his salary at $30,000 a year, subject to the approval of the Board.

Upon motion, the salary fixed for Governor Young was formally approved, effective September 1, 1930.

Report of Executive Committee on letter dated September 2nd from the Comptroller of the Currency, recommending approval of a salary of $3,900 per annum for National Bank Examiner Marion R. Baty, assigned to the Seventh Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Draft of letter to the Assistant Federal Reserve Agent at New York, prepared in accordance with action taken at the meeting on August 30th, advising of approval by the Board of a reduction in the capital stock of the United States Trust Company of Newark, N. J. from $1,200,000 to $600,000 which was made in violation of one of its conditions of membership; the letter stating that the Board has reluctantly voted to approve the reduction on the theory that the failure of the member bank to apply for approval in advance was due to an inadvertence, that the United States Trust Company should fully acquaint itself with the law, regulations and its conditions of membership, and that the Federal Reserve Agent at New York should keep in close touch through State supervisory officials with contemplated actions on the part of State member banks which may be contrary to the law, the regulations or their conditions.

Upon motion, the proposed letter was approved.

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Report of Committee on Examinations on memorandum dated August 29th from the Comptroller of the Currency, recommending approval of an application of the Red River National Bank and Trust Company of Grand Forks, N. D., for permission to reduce its capital stock from $200,000 to $125,000, using the released capital to increase its surplus fund from $50,000 to $125,000; the Board's Committee also recommending approval.

Approved.

At this point, Mr. Wyatt, the Board's General Counsel and Mr. Vest, the Board's Assistant Counsel, entered the room and Mr. Wyatt presented to the Board a question raised by the Federal Farm Board regarding the eligibility for rediscount by Federal Reserve banks of acceptances drawn by the Grain Stabilization Corporation on a number of different accepting banks; the plan being for the Corporation to pledge warehouse receipts and other documents of title covering grain with the Continental Illinois Bank and Trust Company of Chicago as trustee and draw drafts on the banks with which arrangements have been made, which will accept such drafts after the trustee has certified to them that it holds warehouse receipts or other such documents as security for the drafts. He discussed with the Board the form of agreement which provides, among other things, for the drawing of drafts with maturities up to six months, although he understands it is not the intention to draw in excess of ninety days, and also provides that on failure of the Corporation to deliver cash to the trustee to meet the acceptances at maturity, the trustee may in its discretion sell sufficient grain to obtain the necessary funds but is not required to do so unless banks which have accepted at least 25% of the total outstanding acceptances

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request that the collateral be sold. He stated that in discussing the agreement with Counsel for the Federal Farm Board he understands this latter provision can be amended so as to require the trustee to sell grain to meet maturing acceptances if funds are not otherwise provided.

After some discussion, Mr. Hamlin moved that it is the sense of the Federal Reserve Board that the acceptances in question are eligible on condition that they come to the Federal Reserve banks in the usual manner with the endorsement of a member bank other than the accepting bank, and with maturity not in excess of ninety days, and that the trustee may be required to sell collateral at the request of any accepting bank when that bank has not been put in funds at the maturity of an acceptance.

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

Counsel was then instructed to prepare an appropriate letter of advice to the Federal Farm Board.

Mr. Wyatt and Mr. Vest then left the meeting.

Letter dated August 30th from the Chairman of the Federal Reserve Bank of Chicago, advising that the executive committee of the bank has voted to appoint Mr. Melvin A. Traylor as member of the Federal Advisory Council, for an unexpired term of Mr. Frank O. Wetmore, deceased, and requesting, since this appointment can not be ratified by the board of directors of the bank until after the next meeting of the Council, that the Board approve their action and advise the Council of Mr. Traylor's appointment with full powers.

After discussion, upon motion by Mr. Hamlin, it was voted to inform the Federal Reserve Bank of Chicago that the Board will not question the validity of Mr. Traylor's appointment, provided his right to vote is not challenged by any other Federal Reserve bank.

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Letter dated August 28th from Deputy Governor Rounds of the Federal Reserve Bank of New York, reviewing conditions in the Government securities and bill markets during the preceding week.

Noted.

At this point, the Secretary of the Treasury left the meeting and Mr. Platt took the Chair.

Mr. Platt referred to the question of topics for the forthcoming meeting of the Federal Advisory Council, which has been referred to the Executive Committee, and inquired whether any of the members of the Board have subjects to suggest for discussion at the meeting.

> It was the consensus of opinion that under existing conditions a thorough review of the business and credit situation, including present and future Federal Reserve policy, will provide a sufficient program for the forthcoming meeting.
>
> The Assistant Secretary was directed to prepare an appropriate letter to the Secretary of the Federal Advisory Council.

The Assistant Secretary then referred to the matter on which the action was deferred at the meeting on July 15th, namely, a proposed letter to the Governor of the Federal Reserve Bank of San Francisco on the subject of the eligibility for rediscount of loans made by a Federal Intermediate Credit Bank direct to a livestock loan company or an agricultural credit corporation.

> Mr. Cunningham requested an opportunity to review the correspondence and, upon motion, it was referred to him for report.

Memorandum dated August 9th from the Board's General Counsel, reviewing replies received from the various Federal Reserve banks to the Board's circular letter (X-6646) dated June 27, 1930, relative to the advisability of a

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revision of the condition of membership regarding the purchase of bank stocks by State member institutions.

The Assistant Secretary reported considerable difference of opinion in the letters addressed to the Board by the Governors and Federal Reserve Agents and, after some discussion, upon motion, it was voted to refer the question to the Fall Conferences of Governors and Federal Reserve Agents.

The minutes of the meeting of the Federal Reserve Board held on August 30th were then read and approved, as amended.

Upon recommendation of the Assistant Secretary, the transfer to his office of Mr. A. M. Stone, former Secretary to Governor Young, and Mrs. Katherine L. Milne, stenographer in Governor Young's office, was approved, effective September 1, 1930.

REPORTS OF STANDING COMMITTEES:

Dated, September 2nd, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, September 2nd, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, August 25th, Recommending approval of the application of Mr. H. J. McClung for permission to serve at the same time as officer of the Security-First National Bank of Los Angeles, Calif., and as director and officer of the Valley Bank & Trust Company of Phoenix, Ariz.

Approved.

Dated, August 25th, Recommending approval of the application of Mr. William C. Dickerman for permission to serve at the same time as director of the American Express Bank and Trust Company of New York, N. Y., and as director of the First Milton National Bank of Milton, Pa.

Approved.

Dated, August 25th, Recommending approval of the application of Mr. W. S. Gilbert for permission to serve at the same time as director of the First National Trust & Savings Bank of Spokane, Wash., and as director of the Spokane Savings Bank of Spokane, Wash.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, August 25th, Recommending approval of the application of Mr. A. W. Lindsay for permission to serve at the same time as director of the First National Trust & Savings Bank of Spokane, Wash., and as director of the Spokane Savings Bank of Spokane, Wash.

Approved.

Dated, September 2nd, Recommending approval of the application of Mr. John R. Macomber for permission to serve at the same time as director of the Chase National Bank of New York City, N. Y., as director of the First National Bank of Boston, Mass., and as director of the Harris Trust & Savings Bank of Chicago, Ill.

Approved.

The meeting adjourned at 12:30 p.m.

E. W. McCleland

Assistant Secretary.

Approved: Edmund Platt

Vice Governor.

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