

A meeting of the Federal Reserve Board was held in the office of the Governor on Thursday, September 25, 1930, at 10:45 a.m.

PRESENT: Governor Meyer
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McClelland, Asst. Secretary

Letter dated September 24th from Mr. Smead, as Chairman of the System Committee on Bank Reserves reading as follows:

"On September 4, 1930, the Federal Reserve Board referred to the Committee on Bank Reserves the request of the Reserve City Bankers' Association that member banks be permitted to compute their reserves against deposits held at the opening of business (which means the close of business the preceding day) rather than at the close of business on the current day and asked for a report on this proposal in advance of the Governors' Conference. In effect this modification of existing practice gives member banks an opportunity to compute their reserve requirements on the basis of known deposit liabilities, rather than on the basis of estimates and consequently constitutes a material benefit to member banks without, so far as the Committee can see, any material adverse effect on the Federal reserve banks.

"The Committee recommends that this request be approved. In considering this question, the Executive Committee of the Committee on Bank Reserves has consulted by mail with Mr. Clerk and Mr. Fleming who were not able to be present. Two members of the Committee, Mr. Rounds and Mr. Fleming, are not in favor of the Committee's recommendation, on the ground that they prefer to have action deferred until the Committee's final report on the whole question of reserves is ready. Mr. Fleming states particularly that he would not favor this action unless it were coupled with a requirement that reserves be figured every day, rather than averaged. Mr. Rounds, however, does not join Mr. Fleming in this view.

"In making this recommendation, the Committee feels that it will not enable member banks to reduce excess reserves to the extent generally expected. The calculation submitted to the Federal Reserve Board by the Committee on Reserves of the Reserve City Bankers' Association greatly exaggerates the amount of excess reserves which they carry at the present time, principally because of apparent inaccuracies in the calculation, but partly also because of the fact that the figures submitted refer to a period when there was an unusual abundance of funds in the central money markets. The proposed method in fact would make no difference in

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the volume of required reserves and relatively little difference in the volume of reserves actually carried. It would, however, be helpful to member banks in reducing the routine work involved in computing their reserve requirements."

After discussion, upon motion it was voted to refer the committee report to the Conferences of Governors and Federal Reserve Agents which are now in session for their immediate consideration and recommendation.

Report of Committee on Examinations on letter dated September 23rd from the Federal Reserve Agent at Philadelphia, transmitting and recommending approval of an application of the Integrity Trust Company, Philadelphia, Pennsylvania, for approval of its acquisition on May 20, 1930, of eighty shares of stock of the Philadelphia National Bank, which action was taken without first securing the permission of the Board as required under one of the trust company's conditions of membership in the System; the Board's Committee also recommending approval.

Approved.

Memorandum dated September 20th from Mr. Smead with regard to the action of the Board on December 18, 1929, in requesting the Division of Bank Operations to recommend proper limits which should be placed on reserves for self-insurance now carried or to be established by the several Federal reserve banks; the memorandum submitting draft of a proposed letter to the Governors of all Federal reserve banks asking that the Board be furnished with a complete statement of (1) The amount and annual cost of the various classes of insurance carried by each Federal reserve bank, (2) The extent that those reserve banks which have self-insurance funds have used them to replace insurance which would otherwise have been carried, and (3) The views of the

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directors and officers of each bank with regard to the amount and kinds of insurance, if any, the self-insurance fund should replace, the aggregate amount which should be accumulated in such fund and whether such amount should be determined by some fixed rule.

Upon motion, the letter submitted by Mr. Smead was approved and ordered transmitted.

Memoranda dated September 20th from Mr. Miller, submitting, in accordance with the request made of him at the meeting on September 18th, alternate amendments to Section 4 of Article XV of the By-laws of the Board, as follows:

"Strike out all of Section 4 now reading as follows:

'No resolutions of a personal character, except upon the death of a member of the Federal Reserve Board while serving as such, shall appear in any publication of the Federal Reserve Board'

"and substitute the following:

'Section 4. Any action, whether by resolution or otherwise, commendatory of the service of a member, shall not be for publication but exclusively for the records of the Board, except that a copy of any such action or resolution may be released in the discretion of the Board on the occasion of the death of such member.'

"or the following:

'Section 4. No resolutions of a personal character shall be passed by the Board on the occasion of the retirement from office of a member.'"

In accordance with the requirement of the Board's By-laws that amendments thereto shall be delivered to each member at least seven days prior to the meeting at which adopted, the Secretary was instructed to furnish copies of the proposed amendments to all members of the Board advising that they will be taken up for consideration at a meeting to be fixed by the Governor after the expiration of the seven days' notice.

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The minutes of the meeting of the Federal Reserve Board held on September 22nd were read and approved.

The minutes of the meeting of the Federal Reserve Board held on September 23rd were read and approved as amended.

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The Governor then suggested the possibility of wider distribution being given by the Federal reserve banks to the statement issued by the Board yesterday, through its transmittal, with a covering letter, to the member banks in their respective districts.

It was the consensus of opinion that the matter might well be taken up informally by the Governor with the Governors of the Federal reserve banks while they are in Washington.

REPORTS OF STANDING COMMITTEES:

Dated, September 25th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, September 23rd, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 11:45 a.m.

E. W. Woodland
Assistant Secretary.

Approved:

Ernest C. Ferguson
Governor.