

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, September 30, 1930, at 10:30 a. m.

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

The minutes of the meeting of the Federal Reserve Board held on September 25 were read and approved as amended.

The minutes of the meeting of the Federal Reserve Board with the Open Market Policy Conference held on September 25 were read and action thereon was deferred pending receipt of advice of certain changes in verbiage which the Governor stated Governor Harrison had advised him would be made in the report submitted to the Board by the Conference.

The minutes of the meeting of the Federal Reserve Board with the Joint Conference of Governors and Federal Reserve Agents held on September 26 were read and approved.

The Assistant Secretary reported that the Comptroller of the Currency yesterday called upon all national banks in the continental United States, Alaska and Hawaii and all banks in the District of Columbia for reports of condition as of the close of business September 24, and that a call as of the same date was made for reports of condition of all state member banks.

Upon motion, the call made on behalf of the Board was ratified.

Letter dated September 25 from the Secretary of the Federal Reserve Bank of New York; telegram dated September 27 from the Secretary of the Federal Reserve Bank of Atlanta and telegram dated September 26 from the

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Secretary of the Federal Reserve Bank of Chicago, all advising that their boards of directors, at meetings on the dates stated, made no changes in the bank's existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated September 25 from the Director of the Division of Research and Statistics recommending that the temporary appointment of Mrs. Grace Idler, expiring at the close of business September 27, be extended for a period of two months.

Approved.

Letter dated September 27 from the Assistant Federal Reserve Agent at New York advising of plans for the merger of the Colonial Trust Company of Newark, New Jersey, a member bank, into the Lincoln National Bank of Newark, New Jersey, under the name of the latter; the present office of the trust company to be maintained as a branch of the consolidated institution.

Noted.

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of Atlanta of employees for whom the directors of that bank authorized leaves of absence with pay, on account of illness, during the month of August 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.

Letter dated September 19 from the Federal Reserve Agent at Philadelphia advising of the appointment of Mr. George Reid as Assistant to Examiners; Mr. Reid having been previously designated as Special Assistant to Examiners.

Noted with approval.

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Memorandum from Mr. James dated September 29 reporting telephone conversation with the Chairman of the Federal Reserve Bank of Atlanta regarding disturbance in banking conditions in Havana, as a result of which twenty-five million dollars of currency was forwarded by the Federal Reserve Bank of Atlanta to its Agency in Havana and Governor Black and Deputy Governor Taylor visited the island; the memorandum stating that advice has been received by Mr. Newton from Governor Black that the situation has quieted down and at the present time banking conditions are normal. In this connection both the Governor and Mr. James submitted telegrams to the same effect addressed to them by Governor Black.

Noted.

The Board then proceeded with consideration of actions taken by the Conferences of Governors and Chairmen of the Federal Reserve Banks last week which were reported to the Board during the course of the Joint Conference on Friday, as follows:

Report of System Committee on Bank Reserves, dated September 24, recommending approval of a request that member banks be permitted to compute their reserves against deposits held at the opening of business rather than at the close of business on the current day. (See minutes of September 25, 1930.)

The Chairman of the Conference of Governors reported as follows:

"Careful consideration has been given to the report of the Committee on Bank Reserves submitted with your letter and I am pleased to advise you that the Conference voted to approve the Committee's recommendation."

The report of the Federal Reserve Agents' Conference advised that

"After discussion of the matter, it was moved and seconded that the recommendation of the majority of the Board's Committee on Bank Reserves with respect to the

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"time of calculating reserve requirements be concurred in by this conference. Six voted in favor of the motion and six against it. Whereupon, it was moved and seconded that it is the sense of this conference that, while there is much to be said in favor of granting the request to change the time of reserve calculation, the whole question of reserves is of such vital importance that this phase should not be dealt with separately, but should be left in the hands of the System committee for its consideration and should become a part of its complete study of the subject of reserves. Nine voted in favor of the latter motion and three against it."

After some discussion, upon motion by Mr. James, it was voted to approve the request that member banks be permitted to compute their reserves against deposits held at the opening of business rather than at the close of business on the current day, and to instruct Counsel to prepare such resolution, ruling or amendment to the regulations as may be necessary to make the Board's action effective, as of a date to be fixed later.

The Assistant Secretary was instructed to advise all Federal Reserve Banks of the action taken by the Board, as well as Mr. Thomas B. McAdams who presented the request for immediate consideration of this matter to the Board on behalf of the Association of Reserve City Bankers.

Suggestion that when State member banks file written notice of intention to withdraw from membership in the Federal Reserve System at the expiration of six months, the Board publish this fact in the Federal Reserve Bulletin in order that the depositors and the public generally may have advance information of the member banks' intention to withdraw. (See minutes of September 17, 1930.)

The Governors' Conference voted "that the Conference is of the opinion that no change should be made in the present procedure of not publishing notice of intention to withdraw on the part of State member banks for the reason that such publication will tend to defeat one of the principal objects of the law requiring that six months' notice be given."

The Federal Reserve Agents reported that "In the discussion of this topic, it was brought out that if

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"voluntary notices of intention to withdraw from the System were published in the Bulletin, when a Federal Reserve Bank requests a member State bank to withdraw it would also have to publish this fact, which would be ruinous to the bank. It was also mentioned that the publication of a list of such notices, especially if a number of banks were withdrawing, might arouse unfavorable comment and cause others to file notice. It was therefore moved, seconded and carried that it is the sense of this conference that it would be inadvisable to publish the notices of intention to withdraw."

After discussion, upon motion, it was voted to continue the present practice of not making public the notice of intention to withdraw from the System filed by State member banks.

Revision of Membership Condition regarding the purchase of bank stock by State member banks, Board's letter of September 4, 1930 - X-6692
(See minutes of September 3, 1930.)

The Conference of Governors reported as follows:

"The Conference of Governors gave careful consideration to the Board's letter, X-6692, subject, 'Revision of Membership Condition re Purchase of Bank Stocks', and it was voted that in the opinion of the Conference no material change should be made in the present condition of membership No. 3 - except that there might be added a provision that it shall not be necessary for a State bank member to obtain the approval of the Federal Reserve Board before purchasing stock in other banks where the aggregate amount of such stock does not exceed 5% of the capital and surplus of the purchasing member bank or 10% of the capital of the bank purchased.

"The Conference was in agreement that no material change in the present condition of membership regarding the purchase of bank stock should be made until the Committee on Group and Chain Banking has made a complete report and the Governors' Conference has made a definite recommendation. In order, however, to eliminate the petty annoyances arising where State bank members have for one reason or another acquired small blocks of the stock of other banks and to relieve the Federal Reserve Board of the necessity of approving such purchases the Conference felt that the action taken was desired."

The report of the Conference of Federal Reserve Agents was that; "This conference has reviewed the Board's letter X-6692 and has reached the conclusion that it would not be desirable, at the present time, to amend condition of membership No. 3 contained in Section IV of Regulation H, which at present requires

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"the Board's permission before any stock of banks or trust companies may be purchased by a member bank subject to the condition.

"The conference has adopted this view because the question has a bearing upon branch, chain and group banking, a subject which is now being studied by a System committee. We therefore recommend that the question be held in abeyance until the final findings of the committee are available."

After discussion, upon motion, it was voted in accordance with the recommendation of the Federal Reserve Agents' Conference to hold in abeyance the proposed revision of the membership condition referred to.

The Assistant Secretary was instructed, however, to bring to the attention of the System Committee on Branch, Chain and Group Banking the reports of the Governors and Federal Reserve Agents on the matter.

Action of the Governors' Conference in voting to recommend to the Undersecretary of the Treasury, for his consideration, the suggestions set forth in the following memorandum submitted by the Governor of the Federal Reserve Bank of Boston:

"The Federal Reserve Bank of Boston has discovered that it is unable to get a very good distribution among its member banks or the public of Treasury bills which are offered by the Secretary of the Treasury from time to time. The Boston bank finds, upon investigation, the following:

1. Country banks and the public are not accustomed to buying securities at a discount.
2. No tables are available to enable country bankers to figure the yield or return.
3. Discussions and differences of opinion have developed as to whether the bills run 90, 91 or 92 days.

"The Federal Reserve Bank of Boston believes that the Treasury Department would secure a wider distribution of the Treasury bills if some of these objections were overcome and, therefore, suggests the following:

1. That when an issue is announced the Secretary of the Treasury simultaneously announce that the bills have 90, 91 or 92 days to run.
2. That tables be prepared for distribution to the country bankers and the public showing yields at bid prices."

Upon motion, this matter was referred to the Governor.

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Action taken by the Governors' Conference in voting that the Federal Reserve Board be requested to give consideration in the publication of its Regulations to having the size of the pamphlets more nearly conform to the circular letters of the Treasury Department and the majority of the Federal Reserve banks.

Noted.

Action taken by the Governors' Conference, in reconsideration of the policy approved at the Governors' Conference in March, 1923 in connection with rebates of unearned discount, wherein it was voted by the Conference that no change be made in the present practice.

Noted.

Report of the Federal Reserve Agents' Conference on the subject of "Proper classification of deposits, with particular reference to the question as to the steps which should be taken by examiners to determine whether reserves on deposits are properly maintained"; the Conference having adopted the following statement with the request that the Board bring the matter to the attention of the System Committee on Bank Reserves:

"The bank examiners should make a thorough check of the member bank's reserve reports and should compare them with the general ledger for several dates of each month since last examination, particularly the dates of call reports. All discrepancies should be called to attention of the management and explained in detail to the person in charge of the reserve reports.

"An unissued savings passbook should be inspected to see if the bank has the right to require notice of not less than thirty days before a withdrawal is made. Inquiry should be made of the savings tellers and the management as to whether the passbook is required to be presented whenever withdrawals are made.

"The certificate of deposit register and the subsidiary record of certificates due within thirty days should be carefully scrutinized. The amount of outstanding certificates due within thirty days on date of examination provides a good guide in checking this class of deposits on prior dates.

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"All examination reports, of both national and State member banks, should contain a special sheet fully explaining the manner of computing reserves in each bank."

Discussion ensued regarding the regulation of the Board defining savings deposits and consideration which has been given in the past to a revision of the definition due to the practice which has developed in some sections, notably California, of designating as savings deposits, deposits subject to check and to withdrawal without presentation of passbook.

At the conclusion of the discussion it was voted to refer the statement of the Federal Reserve Agents' Conference to the System Committee on Reserves with request for a report as to how far the practice referred to during the Board's discussion has in fact spread.

Report of the Federal Reserve Agents' Conference on the question of the "Desirability of providing if possible for examinations of affiliated or subsidiary corporations, such as real estate holding companies with a nominal capitalization, created to carry 'other real estate', and security corporations affiliated or organized to deal in securities generally and sometimes to acquire control of banks, in many instances purchasing and holding stock in the parent bank in violation of the spirit of Section 9 of the Federal Reserve Act"; the Conference having adopted the following report:

"The question raised as to the desirability of providing if possible for periodic examination of affiliated or subsidiary corporations of member banks is one of growing practical importance. During the recent period of this development, these affiliated or subsidiary corporations not infrequently have come to be regarded as a vehicle for shifting poor bank assets and for making speculative investments which frequently include heavy purchases in the stock of the parent bank. In a number of instances, these purchases are publicly known to have turned out disastrously and to have been attended by heavy deposit withdrawals and a marked loss of prestige for the parent bank and its management.

"It is recognized that consideration of this subject inevitably raises a number of legal points as to the right of visitation on the part of bank examining authorities to examine into these affiliated and subsidiary corporations, including affiliated bank stock holding companies. It is believed that in principle this

"development has an intimate relationship to the subject of group and chain banking now being studied by a special committee of the System, and it is the sense of this conference that the Federal Reserve Board be asked to transmit these observations to the Board's special committee now studying group and chain banking."

In view of the fact that the Comptroller of the Currency, in his annual report, recommended to Congress the enactment of legislation along the lines referred to by the Federal Reserve Agents, it was voted to refer the above matter to him for such comments as he might care to make.

Action of Federal Reserve Agents' Conference on memorandum from Board's Assistant Counsel, dated June 23, 1930 (X-6649-a) containing a summary of the provisions of S-4723 introduced by Senator Glass to amend the provisions of the National Bank Act and the Federal Reserve Act in a number of respects; the Conference having considered the memorandum paragraph by paragraph and voted to approve the provisions set out in paragraphs 7 and 9, to disapprove the provisions of paragraphs 2, 3, 5, 6, 8, 10, 11 and 12 and to withhold expression on paragraph 4 pending the report of the System Committee on Branch, Chain and Group Banking.

Upon motion, the Assistant Secretary was instructed to furnish a copy of the memorandum of the Assistant Counsel and the action of the Federal Reserve Agents' Conference to each member of the Board for his information.

REPORTS OF STANDING COMMITTEES:

Dated, Sept. 25th Recommending action on application for admission of a state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.

Dated, Sept. 25th Recommending approval of the application of John W. Everitt, for permission to serve at the same time as director of the First National Bank of East Orange, N. J., and director of the Orange National Bank, Orange, N. J.
Recommendation approved.

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Dated, Sept. 25th Recommending approval of the application of C. A. Liddle, for permission to serve at the same time as director of the National Bank of Woodlawn, Chicago, Ill., and director of the Pullman Trust & Savings Bank of Chicago, Illinois.
Recommendation approved.

The meeting adjourned at 12:00 noon.

C. W. Mc Clelland
Assistant Secretary

Approved:

Eugene Meyer
Governor