

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, December 26, 1930, at 11:00 a. m.

PRESENT: Mr. Hamlin
Mr. Miller
Mr. James
Mr. McClelland, Assistant Secretary.

Matters presented informally to the Executive Committee on December 24th, namely, telegrams dated December 23 and 24th from Deputy Governor Kenzel of the Federal Reserve Bank of New York, and the Chairman of the Federal Reserve Bank of Boston, respectively, both advising of the establishment, effective December 24th, of the following schedule of buying rates on acceptances:

<u>Bankers acceptances</u>	
1 to 120 days	1 3/4%
121 to 180 days	2%
Repurchase	1 3/4%
Trade acceptances	2%

There being no objection, the informal action of the Executive Committee in noting the establishment of the above rates without objection, was ratified.

Matter presented informally to the Executive Committee, namely, telegram dated December 24th from the Chairman of the Federal Reserve Bank of Chicago, advising of the establishment on that date of the following schedule of buying rates on bankers' acceptances:

1 to 120 days	1 3/4%
121 to 180 days	2%

There being no objection, the informal action of the Executive Committee in noting the establishment of the above rates without objection, was ratified.

Telegram dated December 24th from the Deputy Governor of the Federal Reserve Bank of Minneapolis, advising of the establishment on that date of

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the following schedule of buying rates on acceptances:

<u>Bankers acceptances</u>	
1 to 120 days	1 3/4%
121 to 180 days	2%
Repurchase	1 3/4%
 Trade acceptances	 2%

Without objection, noted with approval.

Telegram dated December 24th from the Governor of the Federal Reserve Bank of St. Louis, advising of the establishment on that date of the following schedule of buying rates on bankers' acceptances:

1 to 120 days	1 3/4%
121 to 180 days	2%

Without objection, noted with approval.

Telegram dated December 24th from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment on that date of the following schedule of buying rates on bankers' acceptances:

1 to 120 days	1 7/8%
121 to 180 days	2 1/8%

Without objection, noted with approval.

Letter dated December 18th from the Federal Reserve Agent at San Francisco, advising that subject to the Board's approval he has redesignated for the coming year, Mr. S. G. Sargent as Chief Examiner, and Messrs. H. A. Sonne, H. D. Swengel and G. A. Snow as Examiners at San Francisco, Los Angeles and Portland, respectively; the Agent also advising that he has redesignated Mr. C. R. Hupp as Examiner at Salt Lake City, effective until March 1, 1931.

Approved.

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Matter approved on initials by the Executive Committee on December 23rd, namely, Report of Committee on Salaries and Expenditures recommending approval of changes at the headoffice and Jacksonville Branch, in the personnel classification plan of the Federal Reserve Bank of Atlanta.

Formally approved.

Matter approved on initials by the Executive Committee on December 24th, namely, letter dated December 23rd from the Comptroller of the Currency recommending approval of an application of the Nichols National Bank of Kenedy, Texas, for permission to reduce its capital stock from \$100,000 to \$50,000 on condition that criticized assets amounting to \$23,679.33 be charged off, but remain the property of the bank, and that not to exceed \$40,000 in cash be returned to the shareholders; it being understood that the bank's existing profit and loss account will be used in eliminating assets, and consequently only approximately \$10,000 of the capital released by the reduction will be used for that purpose.

Formally approved.

Memorandum dated December 23rd from the Assistant Secretary, submitting and recommending acceptance of the resignation of Miss Leona Beller, stenographer in his office, effective at the close of business December 31, 1930.

Accepted.

Letter dated December 20th from the Comptroller of the Currency recommending approval of a salary of \$4,200 per annum for National Bank Examiner Lawrence J. O'Brien, assigned to the Seventh Federal Reserve District.

Approved.

Letter dated December 12th from Deputy Governor Crane of the Federal Reserve Bank of New York, submitting the regular monthly compilation of the amount

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of short-term funds held in New York for foreign account, aggregating \$2,590,202,000 as of November 30, 1930.

The above letter and report, having been circulated among the members of the Board, were noted.

Memorandum from Counsel dated December 22nd, advising that on December 19th the United States Senate removed from the table and referred to the Committee on Banking and Currency S. R. 305 introduced by Senator Glass on June 25, 1930; the resolution bearing upon the legal authority of the Department of State with respect to foreign investment securities offered in the money markets of the United States, and also the authority of the State Department over the participation of the Federal Reserve System in such matters.

Noted.

Letter dated December 20th from the Comptroller of the Currency with regard to the statement of the recent Conference of Federal Reserve Agents relating to the desirability of providing for examinations of affiliated or subsidiary corporations of member banks, which was referred to him by the Board on September 30th; the Comptroller advising of a recommendation affecting the question which he will incorporate in his forthcoming annual report, and expressing the opinion that at the present time examiners have no legal right to make the examinations referred to and that any material improvement in the situation would seem to require an amendment to the Federal statutes such as he has proposed.

Inasmuch as the Federal Reserve Agents' Conference suggested that its statement be referred to the System Committee on Group, Chain and Branch Banking, it was voted to refer to the Committee also the letter received from the Comptroller of the Currency.

Mr. Miller then stated that the Governor had requested him to bring up at this meeting the question raised by the Federal Reserve Agent at Chicago in a

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letter dated November 8th as to whether a member bank voluntarily withdrawing from the Federal Reserve System is entitled to interest at the rate of $1/2$ of 1% per month from the date of the last dividend only if earned, and citing the case of the State Bank of Seneca, Illinois, where the six months' notice of intention to withdraw was to expire on November 12th; a telegraphic reply having been made to the Federal Reserve Agent on November 12th by authority of the Executive Committee suggesting that pending action by the Board on the question raised payment be made to the State Bank of Seneca of that proportion of $1/2$ of 1% per month from the date of the last dividend which has actually been earned since that date, advising the bank at the same time that the Board has the matter under consideration, and that if it is decided that the bank is entitled to any further sum, it will be paid promptly upon advice of the Board's decision. Attention was called to a further telegram received from the Assistant Federal Reserve Agent at Chicago under date of December 23rd inquiring, since a full dividend has been declared for the last half of 1930, payable December 27th, whether this dividend should be paid to a state bank whose voluntary notice of intention to withdraw will expire on January 10th next, thereby discriminating against banks having voluntarily withdrawn between June and December of the current year.

Consideration was given to a telegram to the Assistant Federal Reserve Agent, submitted by the Board's General Counsel in a memorandum dated December 24th, advising that the six months' dividend payable December 27th should be paid to all stockholders as of that date, including any banks which have given notice of voluntary withdrawal effective thereafter.

After discussion, upon motion, the telegram to the Assistant Federal Reserve Agent was approved and ordered transmitted.

A further discussion then ensued with respect to the question raised by the Federal Reserve Agent in his letter of November 8th, during which the Board's General Counsel was called into the meeting, and he explained to the Board in detail the basis of a memorandum on the subject, prepared by Mr. Vest, Assistant Counsel, under date of November 13th. The legal and practical aspects of the question were thoroughly discussed, following which, upon motion it was voted to transmit the following telegram to the Federal Reserve Agent at Chicago:

"Referring your letter November 8th. In view of Attorney General's ruling that dividends may be paid out of surplus, you may until otherwise advised, continue hereafter as heretofore to pay interest at the rate of one-half of one percent per month from the date of last dividend to withdrawing member banks out of surplus when current earnings are not sufficient."

REPORTS OF STANDING COMMITTEES:

- Dated, December 22nd 26th Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, December 22nd 23rd Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, December 22nd Recommending action on 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.
- Dated, December 23rd Recommending approval of the application of Mr. John P. Meyer, for permission to serve at the same time as a director and officer of the Lafayette National Bank and Trust Company of Luxemburg, Missouri, and officer and director of the South Side National Bank of St. Louis, Missouri.
Approved.
- Dated, December 23rd Recommending approval of the application of Mr. Oscar L. Kupferer, for permission to serve at the same time as a director of the Lafayette National Bank and Trust Company of Luxemburg, Missouri, and officer of the Lafayette-South Side Bank and Trust Company, St. Louis, Missouri.
Approved.

