

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, December 29, 1930, at 11:15 a. m.

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

Telegram dated December 27th from the Secretary of the Federal Reserve Bank of Chicago, advising that at a meeting of the Executive Committee on December 26th no change was made in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter dated December 26th from the Chairman of the Federal Reserve Bank of Kansas City, advising of the establishment of the following schedule of buying rates on bankers' acceptances, effective December 24th:

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

Without objection, noted with approval.

Memorandum from Counsel dated December 23rd submitting and recommending acceptance of the resignation of Mrs. Vivian B. Rhodes, a stenographer in his office, as of December 31st; the memorandum also recommending the appointment of Mrs. Grace L. Costinett to fill the vacancy at a salary of \$1,800 per annum, effective January 1, 1931.

Upon recommendation of the Law Committee, it was voted to accept the resignation of Mrs. Rhodes, effective December 31, 1930, and to appoint Mrs. Grace L. Costinett at a salary of \$1,800 per annum, effective January 1, 1931.

Report of Committee on Salaries and Expenditures on letter dated December 27th from Deputy Governor Gilbert of the Federal Reserve Bank of New York,

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requesting approval of an adjustment in the salaries of the two physicians employed by the bank, resulting from a change made in their hours of attendance, each to receive a salary of \$2,400 per annum; the Board's Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated December 23rd from the Controller at the Federal Reserve Bank of Richmond, requesting approval by the Board of changes in the personnel classification plans at the Baltimore and Charlotte Branches of the bank; the Board's Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated December 22nd from the Secretary of the Federal Reserve Bank of Chicago, submitting the names of three employees of the bank for whom the directors approved leaves of absence with pay, on account of illness, during the period from November 21st to December 18th, 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 Counsel dated December 27th with regard to letter dated December 18, 1930 from the Chairman of the Federal Reserve Bank of San Francisco, submitting copy of a resolution adopted by the board of directors of the bank authorizing an agreement entered into by the Federal Reserve Agent and Governor, copy of which was also enclosed, covering the custody of a stock of unissued Federal Reserve notes at the Los Angeles Branch; Counsel's memorandum advising that the agreement entered into is in accordance with the arrangement previously approved by the Board.

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Upon recommendation of the Law Committee, it was voted to approve draft of letter to the Chairman of the San Francisco Bank, submitted with Counsel's memorandum, advising that the Board has no objection to the establishment of the plan at the Los Angeles Branch, it being understood that the Board reserves the right to require the arrangement to be modified or discontinued if at any time it should see fit.

Letter dated December 24th from the Chairman of the Federal Reserve Bank of St. Louis inquiring whether the service as a member of the local school board of Tell City, Indiana, by Mr. W. F. Huthsteiner, recently appointed by the St. Louis Bank as a director of the Louisville Branch, is contrary to the ruling of the Board that persons holding political or public office cannot consistently serve as directors of Federal Reserve banks; Mr. James expressing the opinion that this case is not a violation of the Board's ruling and Mr. Hamlin recommending that the Chairman of the St. Louis Bank be requested to advise the Board whether or not, in his opinion, the office in question is a political one.

After discussion, upon motion, it was voted to advise the Chairman at St. Louis that while the Board is inclined to approve the continued service of Mr. Huthsteiner as a member of the local school board until the expiration of his present term, it would like to have an expression of opinion from the board of directors of the St. Louis bank as to whether or not such service would be inconsistent with the spirit of the Board's ruling.

Mr. Miller then submitted a revised draft of the letter prepared by Counsel and submitted with his memorandum of December 13th, replying to letter dated November 15th from the Federal Reserve Agent at Dallas in which the question was raised as to the circumstances under which a state member bank may be expelled from the Federal Reserve System, particularly in a case where

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the conditions reflected in the examination reports, if applicable to the bank at the time it applied for membership in the System, would undoubtedly cause its application for membership to be rejected, although no violations of the Federal Reserve Act, the regulations or conditions of membership are apparent; the proposed revised reply stating that the Board is of the opinion that where a state member bank, subject to the general condition of membership, has permitted a large part of its assets to change from good solvent loans or investments to loans or investments which are slow, doubtful and of little value and has permitted its financial condition to deteriorate to such an extent as to affect materially the standard maintained at the time of its admission to the Federal Reserve System, there has been a change in the general character of the bank's assets within the meaning of the provisions of the "general condition"; that whether or not there has been a material change in the general character of the assets is one of fact to be determined in the light of all the circumstances involved in such cases; and that it is the view of the Board that where a member bank is in a generally unsatisfactory condition as to the state of its assets it will usually be found to have been guilty of violations of the provisions of the Federal Reserve Act, and before recommending expulsion of a state member bank in such a case, the Board would prefer that the Agent investigate and base any recommendation upon such violations rather than upon a violation of the general condition of membership.

After some discussion, upon motion, the revised draft of letter to the Federal Reserve Agent at Dallas was approved and ordered transmitted.

At this point Mr. Pole joined the meeting, at the request of the Governor, who then presented an application of the Dallas Bank and Trust Company, Dallas, Texas, for membership in the Federal Reserve System and for 765 shares of

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stock in the Federal Reserve Bank of Dallas, approval of which is recommended by the Federal Reserve bank, subject to the regular conditions of membership set out in Regulation H, Series of 1930. He called attention, however, to the fact that the Board's sub-committee recommends that a further special condition of membership be imposed, reading as follows:

"Except after applying for and receiving the permission of the Federal Reserve Board, you will not exercise the powers which you have under your charter,-

'To guarantee stocks, bills of exchange, bonds and mortgages and other securities;

'To guarantee the fidelity and diligent performance of their duty by persons or corporations holding places of private or public profit or trust, in all cases where individual bonds are not required by law;

'To guarantee or become surety on any bond given by any person or corporation, and to reinsure or guarantee any person or corporation against loss or damage by reason of any risk assumed by insuring the fidelity or the diligent performance of duty of any such person or corporation, or by guaranteeing or becoming surety on any bond;

'To act as surety and guarantor of the fidelity of employees, trustees, executors, administrators, guardians or other appointed to or assuming the performance of any trust, public or private, under appointment by any court or tribunal, or under contract between private individuals or corporations; also on any bond or bonds that may be required to be filed in any judicial proceeding; also to guarantee any contract or undertaking between individuals or private corporations, and the State and municipal corporations or counties, or between private corporations and individuals.'"

The Governor stated that the application for membership is filed in connection with a proposal of the applying bank to purchase the assets and assume the liabilities of the Dallas National Bank, approval of which is also recommended.

Mr. James explained certain matters by reason of which he feels the application should not be approved by the Board.

After discussion, upon motion, it was voted to approve the application of the Dallas Bank and Trust Company for membership in the Federal Reserve System and for 765 shares of the stock in the Federal Reserve Bank of Dallas, subject to the regular

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conditions of membership set out in Regulation H and the special condition above quoted.

On this motion Mr. James voted "No."

Upon motion it was also voted to approve the application of the Dallas Bank and Trust Company, for permission to purchase the assets and assume the liabilities of the Dallas National Bank.

Upon motion by Mr. Hamlin, it was then voted to ratify the actions previously taken by the Executive Committee at this meeting.

The next order of business being the budget of the Board for the year 1931, Mr. James called attention to the fact that the leave of absence with pay, granted by the Board to its Secretary, Mr. Walter L. Eddy, expires at the close of business December 31, 1930.

He moved that the Board extend Mr. Eddy's leave of absence with full pay for a period of six months.

During the discussion which ensued it was brought out that the leave of absence began on June 1, 1929, and Mr. Hamlin moved as a substitute for Mr. James' motion, that the Board extend Mr. Eddy's leave of absence with full pay, until May 31, 1931.

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

The other officers of the Board were then reelected for the year 1931 and their salaries fixed as follows:

E. M. McClelland	Assistant Secretary	\$9,000
J. C. Noell	" "	7,000
W. M. Imlay	Fiscal Agent	5,000
Walter Wyatt	General Counsel	12,000
George B. Vest	Assistant Counsel	7,000
B. M. Wingfield	" "	6,000
E. A. Goldenweiser	Director, Division of Research and Statistics	12,000
E. L. Smead	Chief, Division of Bank Operations	12,000
F. J. Drinnen	Examiner in Charge	9,000

The individual budgets of the several divisions of the Board's organization for the year 1931, including salaries of employees, and the combined

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budget for the year, aggregating \$818,550, as follows, were then considered and upon motion, were approved:

<u>Personal Services</u>	\$641,490.00
<u>Non-Personal Services:</u>	
Supplies and Materials	5,950.00
Subsistence Expenses	50,650.00
Transportation Expenses	24,300.00
Communication Service	12,700.00
Ptg., Eng., Bdg., etc.	53,600.00
Heat and Light	1,000.00
Rents - Building	16,215.00
Rents - Equipment	60.00
Repairs - Equipment	810.00
Equipment	9,100.00
Special and Miscellaneous	2,675.00
Non-Personal Services Total	<u>\$177,060.00</u>
Complete Total	<u>\$818,550.00</u>

Memorandum dated December 22nd from the Board's Fiscal Agent, recommending, on the basis of the budget for the year 1931, that to cover expenses for the first six months of the year, the Board levy an assessment on the Federal Reserve banks of eighty-one thousandths of one per cent (.00081) of their total paid-in capital and surplus as at the close of business December 31, 1930.

Upon motion the following resolution was adopted:

"WHEREAS, under Section 10 of the act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal Reserve banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees for the half-year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half-year; and

"WHEREAS, it appears from estimates submitted and considered that it is necessary that a fund equal to eighty-one thousandths of one per cent of the total paid-in capital stock and surplus of the Federal Reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal Reserve notes; Now, therefore,

"BE IT RESOLVED, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal Reserve banks of an amount equal to eighty one thousandths of one per cent (.00081) of the total paid-in capital and surplus of such banks as of the close of business December 31, 1930, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessments will be collected in two installments of one-half each; the first installment to be paid on January 1, 1931, and the second half on March 1, 1931."

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

The minutes of the meetings of the Federal Reserve Board held on December 23rd and 27th were read and approved.

The minutes of the meeting of the Executive Committee held on December 26th were read and approved and upon motion, the actions recorded therein were ratified.

REPORTS OF STANDING COMMITTEES:

Dated, December 27th. Recommending approval of the application of Mr. Holcombe G. Johnson, for permission to serve at the same time as a director of the Commercial National Bank, Washington, D. C., and as a director of the Washington Loan and Trust Company, Washington, D. C.

Approved.

Dated, December 27th. Recommending approval of the application of Mr. James H. Baden, for permission to serve at the same time as a director and officer of the Commercial National Bank, Washington, D. C., and as a director of the Mount Vernon Savings Bank, Washington, D. C.

Approved.

Dated, December 27th. Recommending approval of the application of Mr. Emmett C. Davison, for permission to serve at the same time as a director of the Commercial National Bank, Washington, D. C., and as a director and officer of the Mount Vernon Savings Bank, Washington, D. C.

Approved.

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The meeting adjourned at 1:00 p. m.

E. W. Welland
Assistant Secretary.

Approved:

E. W. Welland
Governor.