

MINUTES OF MEETING  
of the  
FEDERAL ADVISORY COUNCIL  
February 17-18, 1930

OFFICERS AND MEMBERS OF THE FEDERAL ADVISORY COUNCIL  
For the Year 1930

OFFICERS:

President, F. O. Wetmore  
Vice-President, B. A. McKinney  
Secretary, Walter Lichtenstein

EXECUTIVE COMMITTEE:

F. O. Wetmore  
B. A. McKinney  
William C. Potter  
L. L. Rue  
Harris Creech  
W. W. Smith

MEMBERS:

Herbert K. Hallett  
William C. Potter  
L. L. Rue  
Harris Creech  
John Poole  
J. P. Butler  
Frank O. Wetmore  
Walter W. Smith  
George H. Prince  
Walter S. McLucas  
B. A. McKinney  
F. L. Lipman

Federal Reserve District No. 1  
Federal Reserve District No. 2  
Federal Reserve District No. 3  
Federal Reserve District No. 4  
Federal Reserve District No. 5  
Federal Reserve District No. 6  
Federal Reserve District No. 7  
Federal Reserve District No. 8  
Federal Reserve District No. 9  
Federal Reserve District No. 10  
Federal Reserve District No. 11  
Federal Reserve District No. 12

## BY-LAWS OF THE FEDERAL ADVISORY COUNCIL

### ARTICLE I. OFFICERS

Officers of this Council shall be a President, Vice-President, and Secretary.

### ARTICLE II. PRESIDENT AND VICE-PRESIDENT

The duties of the President shall be such as usually pertain to the office; in his absence the Vice-President shall serve.

### ARTICLE III. SECRETARY

The Secretary shall be a salaried officer of the Council and his duties and compensation shall be fixed by the Executive Committee.

### ARTICLE IV. EXECUTIVE COMMITTEE

There shall be an Executive Committee of six (6) members of the Council, of which the President and Vice-President of the Council shall be ex officio members. To fill a vacancy, the President, or in his absence, the Vice-President shall be authorized to designate as a member of the Executive Committee for a given meeting, another member of the Council than those elected to the Executive Committee.

### ARTICLE V. DUTIES OF THE EXECUTIVE COMMITTEE

It shall be the duty of the Executive Committee to keep in close touch with the Federal Reserve Board and with their regulations and promulgations, and communicate the same to the members of the Council, and to suggest to the Council from time to time, special matters for consideration.

The Executive Committee shall have power to fix the time and place of holding its regular and special meetings and methods of giving notice thereof.

Minutes of all meetings of the Executive Committee shall be kept and such minutes or digest thereof shall be immediately forwarded to each member of the Council.

A majority of the Executive Committee shall constitute a quorum and action of the Committee shall be by majority of those present at any meeting.

### ARTICLE VI. MEETINGS

Regular meetings of the Federal Advisory Council shall be held in the City of Washington on the third Tuesday of the months of February, May, September, and November of each year, unless otherwise directed by the Executive Committee.

A preliminary meeting of the Federal Advisory Council shall be called by the Secretary to be held on the day preceding the regular meeting.

Special meetings may be called at any time and place by the President or the Executive Committee, and shall be called by the President upon written request of any three members of the Council.

### ARTICLE VII. ALTERNATES

In the absence of the regular representative of any Federal Reserve District, the Board of Directors of the Federal Reserve Bank of that District may appoint an alternate.

The alternate so appointed shall have the right to be present at all the meetings of the Council for which he has been appointed. He shall have the right to take part in all discussions of the Council but shall not be entitled to vote.

ARTICLE VIII. AMENDMENTS

These By-laws may be changed or amended at any regular or special meeting by a vote of a majority of the members of the Federal Advisory Council.

February 18, 1930.

# MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 17, 1930.

The first and organization meeting for 1930 of the Federal Advisory Council was convened in Room 836 of the Mayflower Hotel, Washington, D. C., on Monday, February 17, 1930, at 10.15 A.M.

## Present:

Mr. Herbert K. Hallett	District No. 1
Mr. William C. Potter	District No. 2
Mr. Howard A. Loeb (Alternate for Mr. L. L. Rue)	District No. 3
Mr. C. E. Sullivan (Alternate for Mr. Harris Creech)	District No. 4
Mr. John Poole	District No. 5
Mr. J. P. Butler	District No. 6
Mr. Frank O. Wetmore	District No. 7
Mr. Walter W. Smith	District No. 8
Mr. George H. Prince	District No. 9
Mr. Walter S. McLucas	District No. 10
Mr. B. A. McKinney	District No. 11
Mr. Walter Lichtenstein	Secretary

## Absent:

Mr. F. L. Lipman	District No. 12
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Mr. Potter was elected temporary Chairman and called the meeting to order at 10.15 A.M.

The Secretary stated that communications had been received from all of the Federal Reserve Banks, certifying to the election of their representatives in accordance with the above list.

Mr. Potter called for nominations for the office of President of the Council and Mr. Frank O. Wetmore was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast one ballot for Mr. Wetmore, who was thereupon declared elected President of the Council for the year 1930.

Mr. Wetmore took the Chair and called for nominations for Vice-President. Mr. B. A. McKinney was nominated. On motion, duly made and seconded, the nominations were closed and the Secretary was instructed to cast one ballot for Mr. McKinney, who was thereupon declared elected Vice-President of the Council for the year 1930.

The President called for nominations for the four appointive members of the Executive Committee. Messrs. William C. Potter, L. L. Rue, Harris Creech, and W. W. Smith were nominated. On motion, duly made and seconded, these gentlemen were unanimously elected members of the Executive Committee for the year 1930, the President and Vice-President being ex officio members.

On motion, duly made and seconded, Mr. Walter Lichtenstein was elected Secretary of the Federal Advisory Council for the year 1930 at a salary of \$2,000 per annum.

On motion, duly made and seconded, the Council readopted for the year 1930 the existing By-laws which are attached hereto and made part of these minutes.

On motion, duly made and seconded, the minutes of the Council meeting of November 18-19, 1929, copies of which had been previously sent to the members, were approved.

The secretary presented his financial report for the year 1929, which had been audited by Mr. J. P. McElherne, Assistant Auditor of the First National Bank of Chicago, which on motion duly made and seconded was approved and ordered to be printed. The report is attached hereto and made part of these minutes.

On motion, duly made and seconded, the following resolution was unanimously adopted:

“Resolved, that the Secretary be and he is hereby authorized to ask each Federal Reserve Bank to contribute \$300 toward the Secretarial and incidental expenses of the Federal Advisory Council for the year 1930 and to draw on them for that purpose.”

It was voted that the Mayflower Hotel continue to be used as the headquarters of the Council.

The Federal Reserve Board requested the Council to consider H. R. 7966 (McFadden Bill). This was discussed at length and a sub-committee was appointed consisting of Messrs. Potter, Sullivan and McKinney to formulate the opinions expressed.

A letter of Mr. McKinney considering the question of reciprocal balances and suggesting that it would be desirable to have bank statements show net deposits instead of gross deposits was discussed. No formal action was taken and it was suggested that Mr. McKinney discuss the matter informally with the Comptroller of the Currency and the members of the Board.

At 12.15 P.M. Dr. E. A. Goldenweiser, Director of the Division of Research and Statistics of the Federal Reserve Board, gave an interesting account of recent developments in the financial and business world.

The meeting adjourned at 2 P.M. to meet at 9.30 A.M. on Tuesday in the Treasury Building.

WALTER LICHTENSTEIN,  
Secretary.

REPORT OF THE SECRETARY OF THE FEDERAL ADVISORY COUNCIL

For the Year Ending December 31, 1929.

Balance on hand December 31, 1928.....	\$1,498.92	Postage.....	\$ 10.00
Assessment—Twelve Federal Reserve Banks.....	3,600.00	Telegrams.....	14.41
Interest on Balance at 1st National Bank of Chicago....	55.34	Printing & Stationery.....	357.00
		Miscellaneous Items.....	10.20
		Salary.....	1,750.00
		Conference Expenses.....	1,173.59
		Balance on hand December 31, 1929.....	1,839.06
	\$5,154.26		\$5,154.26

Chicago, January 8, 1930.

To the Federal Advisory Council:

I have audited the books, vouchers and accounts of the Secretary of the Federal Advisory Council for the year ending December 31, 1929, and certify that the above statement agrees therewith.

Respectfully,

(Signed) J. P. McELHERNE

MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

February 18, 1930

At 9.30 A.M. the Federal Advisory Council reconvened in the Federal Reserve Board Room, Treasury Building, Washington, D. C., the Vice-President, Mr. McKinney, being in the Chair.

Present: Mr. B. A. McKinney, Vice-President; Messrs. H. K. Hallett, W. C. Potter, H. A. Loeb, C. E. Sullivan, John Poole, J. P. Butler, W. W. Smith, G. H. Prince, W. S. McLucas, and Walter Lichtenstein, Secretary.

The sub-committee appointed on the previous day presented a recommendation regarding H. R. 7966. It was unanimously voted to adopt this recommendation and it is attached hereto and made part of these minutes.

Mr. McKinney reported that the Comptroller of the Currency is opposed to the practice of including reciprocal balances in the published statements of banks, but that he deems it inexpedient to make a change in this practice except as a part of a more thorough revision of the Comptroller's form of statement blanks.

The meeting adjourned at 9.55 A.M.

WALTER LICHTENSTEIN,  
Secretary.



MINUTES OF JOINT CONFERENCE OF THE FEDERAL ADVISORY  
COUNCIL AND THE FEDERAL RESERVE BOARD.

February 18, 1930.

At 10.00 A.M. a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board Room, Treasury Building, Washington, D. C.

Present: Members of the Federal Reserve Board:

Governor Roy A. Young; Mr. John W. Pole, Comptroller of the Currency; Messrs. C. S. Hamlin, A. C. Miller and G. R. James; also E. M. McClelland and J. C. Noell, Assistant Secretaries to the Board; E. A. Goldenweiser, Director, Division of Research and Statistics, Federal Reserve Board; E. L. Smead, Chief of Division of Bank Operations; and S. R. Carpenter, Assistant to the Secretaries to the Board.

Present: Members of the Federal Advisory Council:

Mr. F. O. Wetmore, President; Mr. B. A. McKinney, Vice-President; Messrs. H. K. Hallett, W. C. Potter, H. A. Loeb, C. E. Sullivan, John Poolie, J. P. Butler, W.W. Smith, G. H. Prince, W. S. McLucas, and Walter Lichtenstein, Secretary.

The Secretary of the Federal Advisory Council read the recommendation adopted regarding H. R. 7966.

At 11.35 A. M. the Secretary of the Treasury joined the meeting and a discussion took place regarding business conditions in the various districts.

The meeting adjourned at 12:25 P. M.

WALTER LICHTENSTEIN,  
Secretary.

RECOMMENDATION OF THE FEDERAL ADVISORY COUNCIL TO THE  
FEDERAL RESERVE BOARD

February 18, 1930.

TOPIC: H. R. 7966 (McFadden Bill).

RECOMMENDATION: The Federal Advisory Council having been requested by the Federal Reserve Board to give consideration to H. R. 7966 begs to report that it is opposed to most of the provisions of this bill.

1. The Council sees no value in giving the Comptroller of the Currency authority to examine Federal Reserve banks. It believes that this authority should continue to reside in the Federal Reserve Board, as provided for in the Federal Reserve Act. The Board has a staff specially trained to perform this function and it has been able thereby to harmonize the operations of the Federal Reserve banks under its supervision.

2. The Council believes there is decided objection to the examination of state banks and trust companies by the Comptroller of the Currency. The result of such activity would be an unnecessary multiplicity of examinations and probable resentment on the part of state banking departments. The present system of examinations by state officials, supplemented when necessary by an examination by the Federal Reserve authorities, has resulted in satisfactory cooperation between the state and Federal Reserve examiners.

3. The suggestion that the expenses of the examination shall be borne by the Federal Reserve banks would, if carried out, result in one more compelling reason for more active participation on the part of the Federal Reserve banks in the money market for the purpose of increasing their earnings to meet the burden of this additional expense.

4. The Council deems it unnecessary to provide for a special examination of the condition of any Federal Reserve bank, and, in any event, would consider it desirable to have an application to do so supported by more than ten member banks.

5. In the opinion of the Council the officers and Board of Directors of the several Federal Reserve banks by reason of their intimate contact with member banks are better qualified to judge the desirability of a given bank acting in a fiduciary capacity than is the Comptroller of the Currency. Consequently it can find no merit in the proposal to transfer from the Federal Reserve Board to the Comptroller of the Currency the power to grant permission to a national bank to act in a fiduciary capacity.

6. The Council objects to the proposed division of earnings of the Federal Reserve banks since this would be discriminating unfairly in favor of one class of member banks. In this connection, the Council calls attention to its approval at its last meeting of S. R. 5723 with a suggested amendment.

7. The Council does view with sympathy the purpose of the proposed bill in authorizing examinations of corporations affiliated with member banks. But the Council believes this is part of a larger problem connected with the development of chain or group banking. It believes that before legislative action is decided upon it would be well if the Federal Reserve Board undertook to study this question and related topics as recommended by the Council at its last meeting.