

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, December 15, 1928 at 10:25 a.m.

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

The reading of the minutes of the meeting of the Federal Reserve Board held on December 13th was dispensed with.

Letter dated December 10th from the Deputy Governor of the Federal Reserve Bank of Kansas City, requesting approval of an increase of the total advances of that bank to the Federal Intermediate Credit Bank of Omaha to approximately \$3,000,000, by the purchase of \$1,500,000 of the Intermediate Credit Bank's debentures dated December 15th.

Approved.

Letter dated December 10th from the Governor of the Federal Reserve Bank of Dallas, requesting approval of an increase of the total advances of that bank to the Federal Intermediate Credit Bank of Houston to \$6,500,000, by the purchase of \$6,000,000 of the Intermediate Credit Bank's debentures dated December 15th in place of \$3,000,000 of debentures maturing on that date.

Approved.

Letter dated December 10th from the Chairman of the Federal Reserve Bank of Dallas, advising that through oversight Branch Directors, including Managing Directors, were not appointed at the December meeting of the board of directors of the Dallas bank and inquiring whether it will be necessary

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to call a special meeting for the purpose of making the appointments.

Upon motion, it was voted to advise the Dallas bank that there will be no objection to their withholding the appointment of the Branch Bank Directors until their regular January meeting.

Letter dated December 10th from the Governor of the Federal Reserve Bank of Dallas, with regard to borrowings by member banks in that District maintaining loans in the call market; the letter referring to several institutions, including the National Bank of Commerce, Houston, Texas, regarding which previous communications have been addressed to the Board.

Ordered circulated.

Telegram dated December 14th from the Deputy Governor of the Federal Reserve Bank of New York, advising that dealers on that date generally advanced their buying rates on all maturities of acceptances by one-eighth of one percent; the reason for the change being a desire to obtain a spread between the buying and selling rates of bills as insurance against expected higher interest costs in carrying portfolios for the balance of the present year and a desire not to enter the new year with large portfolios taken at former rates.

Noted.

Mr. Miller reiterated his opinion that the Federal Reserve buying rate on acceptances should be advanced, beginning with an advance of one-eighth of one percent, for the purpose of securing a better distribution of bills and to exert some influence toward absorbing private money which, he stated, is now flowing into the call loan market because of the wide spread between the existing bill and call rates. He stated that in his opinion a rate of  $4\frac{3}{4}\%$  or  $5\%$  would bring about a considerable distribution of bills.

A discussion ensued during which Mr. Platt joined the meeting.

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At the conclusion of the discussion, Mr. Miller moved that it be the sense of the Board that the buying rate of the Federal Reserve banks on acceptances should be advanced so as to secure a wider distribution of bills, beginning with an advance of one-eighth.

Mr. Miller's motion being put by the Chair was lost on a tie, the members voting as follows:

Mr. Platt, "aye"  
 Mr. Hamlin, "aye"  
 Mr. Miller, "aye"  
 Governor Young, "no"  
 Mr. James, "no"  
 Mr. Cunningham, "no"

Governor Young stated that he voted "no" because he does not think a change of one-eighth in the bill rate will affect distribution in any appreciable amount, and because the latest figures available indicate that money is working out of rather than into the call loan market.

At this point, Mr. Fred I. Kent of New York entered the room and the Governor also called into the meeting Mr. Wyatt, the Board's General Counsel, Mr. Smead, Chief of the Division of Bank Operations and Mr. Goldenweiser, Director of the Division of Research and Statistics.

Mr. Kent discussed with the Board the suggestion made by him in previous correspondence, which was disapproved by the Board at the meeting on December 4th, that the ruling of 1919, prohibiting the deduction of foreign balances by member banks in computing reserves, be revoked. In addition to the reasons for revocation of the ruling set forth in his correspondence with the Board, Mr. Kent stressed the fact that the ruling operates to the inconvenience of those in charge of the foreign departments of member banks, who are unable to carry through certain advantageous exchange transactions, due to the practice of the member banks of adjusting their reserve positions through the foreign department. He expressed the opinion that there is no good reason for continuance of the

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ruling under existing conditions and that it should be revoked inasmuch as it operates to disturb transactions in foreign exchange, to the detriment of the foreign trade of the country. Mr. Kent expressed disagreement with the position of the Board's Counsel that the Board's ruling is in accordance with the provisions of the Federal Reserve Act and stated that he will attempt to work up and submit a brief in support of his contention.

REPORTS OF STANDING COMMITTEES:

- Dated, December 15th, Recommending a change in stock at a Federal Reserve bank as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.
- Dated, December 11th, Recommending approval of the application of Mr. Clyde C. Taylor, for permission to serve at the same time as director and officer of the First National Bank of Pittsburgh, Pa., as director of the Colonial Trust Company, Pittsburgh, Pa. and as director of the Dollar Savings and Trust Company, Pittsburgh, Pa.  
Approved.
- Dated, December 11th, Recommending approval of the application of Mr. Isidore B. Dockweiler, for permission to serve at the same time as director of the Los Angeles First National Trust & Savings Bank, Los Angeles, Cal., and as director of the Morris Plan Company, Los Angeles, Cal.  
Approved.
- Dated, December 11th, Recommending approval of the application of Mr. George E. Painter, for permission to serve at the same time as director of the First National Bank, Pittsburgh, Pa., as director of the Peoples Savings and Trust Company, Pittsburgh, Pa., and as director of the Dollar Savings and Trust Company, Pittsburgh, Pa.  
Approved.
- Dated, December 13th, Recommending approval of the application of Mr. Benjamin Marvin, for permission to serve at the same time as director of the Douglaston National Bank of New York, New York City and as director of the Forest Hills National Bank of New York, New York City.  
Approved.
- Dated, December 13th, Recommending approval of the application of Mr. John A. Rapelye, for permission to serve at the same time as officer and director of the Douglaston National Bank of New York, New York City and as officer and director of the Forest Hills National Bank of New York, New York City.  
Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, December 13th, Recommending approval of the application of Mr. Louis C. Gosdorfer for permission to serve at the same time as officer and director of the Douglaston National Bank of New York, N. Y., and as officer and director of the Forest Hills National Bank of New York, N. Y.

The meeting adjourned at 1:00 p.m.

*E. W. W. Clelland*

Assistant Secretary

Approved:

*Raymond*

Governor