

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, December 19, 1928 at 11:00 a.m.

PRESENT: Governor Young  
Mr. Platt  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Cunningham  
Mr. Eddy, Secretary  
Mr. McClelland, Asst. Secretary  
PRESENT ALSO: Mr. Smead, Chief of the Division of  
Bank Operations

The minutes of the meeting of the Federal Reserve Board held on December 17th were read and approved as amended.

The Governor presented draft of a letter to the Chairman of the Federal Reserve Bank of New York, prepared by Mr. Miller in accordance with the request of the Board at its meeting on December 17th, with respect to the action of the Board of Directors of that bank in voting that, subject to the approval of the Board, the estate of Governor Strong be paid \$8,333.33. The Governor stated that he personally can not vote in favor of the letter prepared by Mr. Miller because of the fact that he was informed verbally last Fall of action taken by the directors of the Federal Reserve Bank of New York in requesting Governor Strong to reconsider his resignation as Governor of the bank and to continue in that capacity until the end of the current year. He stated that he, therefore, feels that the directors contracted an obligation to Governor Strong which has an important bearing upon the payment in question. He also stated that he mentioned the action of the New York directors to individual members of the Board at the time he received advice of it.

After detailed discussion, upon motion, the proposed letter to the Chairman of the Federal Reserve Bank of New York was amended and approved in the following form, Messrs. Young and Platt not voting:

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"Reply to your letter of November 5th, stating that your Board had voted that, subject to the approval of the Federal Reserve Board, the estate of Governor Strong be paid \$8,333.33, and that this action was taken in order to fulfill the obligations incurred by the Board of Directors toward Governor Strong last summer, has been delayed by reason of the fact that not only questions of policy but of law were raised by the action taken by your bank.

Our Counsel has advised us that while the question raised by the proposed payment to Governor Strong's estate might be regarded as a doubtful one, it is his opinion that the payment is legally unauthorized under the Federal Reserve Act.

It is probable that the Board could arrange to have this question referred to the Attorney General for an opinion, should that be thought advisable."

The Governor then stated the special order of business for this meeting is consideration of the following report of the Committee on Salaries and Expenditures, with reference to salaries of employees of the Federal Reserve banks, with the exception of the Federal Reserve Bank of New York, for the year 1929:

"The schedules submitted by all of the Federal reserve banks, except the Federal Reserve Bank of New York, involving increases made throughout the year 1928 to employees receiving less than \$2500 per annum, and increases in the salaries of employees receiving more than \$2500 per annum which the banks propose to make effective as of January 1, 1929, have been examined by your committee and approved as submitted, with the following exception:

The Federal Reserve Bank of Minneapolis recommends an increase of \$1,000 in the salary of Oliver S. Powell, Statistician. The amount of salary, \$5,500, which it is proposed to pay to this employee appears to be out of line with the amount paid to employees at the other banks holding similar offices, and your committee recommends that action on this increase be withheld pending further advice from the Minneapolis Bank of the circumstances surrounding its proposal.

For the information of the Board, your committee desires to point out that the total amount involved in the increases to the clerical employees at each Federal reserve bank, if spread over the bank's entire clerical staff, would result in each member of the staff receiving an increase in salary as follows:

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"Boston	\$52	St. Louis	\$49
Philadelphia	54	Minneapolis	103
Cleveland	64	Kansas City	51
Richmond	62	Dallas	81
Atlanta	85	San Francisco	96
Chicago	47		

Your committee is informed by Mr. Smead, who was designated by the Board to assist the committee of bank officers, which is at work on a plan for the classification of employees at each Federal reserve bank along the line of the classification plan approved two years ago for the Federal Reserve Bank of New York, that the work of the committee is progressing satisfactorily, and that it is believed that the committee will lay down a plan which all of the Federal reserve banks will be willing to adopt and put into effect during 1929. In the event of adoption of such a plan by all of the Federal reserve banks, the method which has been pursued by the Board in passing upon salaries of bank employees will be materially simplified. The handling of this matter for all Federal reserve banks will be along the lines of the procedure now followed in the handling of clerical salaries at the Federal Reserve Bank of New York."

In connection with the above report, Mr. James, Chairman of the Committee, advised the Board of a recommendation made by the directors of the Federal Reserve Bank of Chicago that the salary of Mr. Arthur Olson, Confidential Secretary and General Man, be increased from \$4,500 to \$4,800 per annum, stating that while the Committee does not recommend disapproval of the proposed salary it wishes to call the matter to the attention of the Board because of consideration which has been given to Mr. Olson's salary in past years.

After detailed discussion, upon motion, it was voted to approve all salaries submitted by the Federal Reserve banks, covered in the report of the Committee on Salaries and Expenditures, except those of Mr. Oliver S. Powell at the Federal Reserve Bank of Minneapolis and Mr. Arthur Olson at the Federal Reserve Bank of Chicago, on which action was deferred.

The Governor then submitted a report of the Committee on Salaries and Expenditures, recommending approval of certain proposed changes in salary and grade classifications of employees of the Federal Reserve Bank of New York, all of which are in accordance with the salary plan approved by the Board for

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that bank and necessary in connection with the schedule to be submitted to the Board after the first of the year of salaries and grades of all employees, effective January 1, 1929.

Upon motion, the various changes submitted by the New York bank were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Boston on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Boston with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus of about \$1,764,500. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$4,509,032.76	
Current expenses . . . . .	<u>1,864,828.57</u>	
Current net earnings . . . . .		\$2,644,204.19

Proposed deductions:

Misc. Profit and Loss Items . . . . .	*100,192.21	
Furniture and equipment . . . . .	40,000.00	
2 per cent reserve on bank building . .	55,832.00	
10 per cent reserve on fixed machinery and equipment . . . . .	66,215.75	
Repairs and Alterations:		
Member banks' and Directors' rooms .	16,000.00	
Quarters for Collector of Internal Rev.	10,700.00	
Total deductions . . . . .		<u>288,939.96</u>
Balance available for dividends and surplus . . .		2,355,264.23
Dividends paid June 30 . . . . .	289,261.24	
Estimated dividends July 1 to December 31 . .	<u>301,514.23</u>	
Total dividends . . . . .		<u>590,775.47</u>
Balance to be transferred to surplus . . . . .		1,764,488.76

\*Represents losses on U. S. securities sold

According to statements accompanying the dividend resolution there was on November 30 an unpaid indebtedness of \$54,995.60 due from one suspended bank. The bank does not anticipate that it will sustain any loss in this case and states that there are no member banks in the district considered to be in a seriously over-extended condition.

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"YOUR COMMITTEE recommends that the proposed deductions from current net earnings be approved by the Board with the following exception:

It is recommended that the bank be advised that the cost of alteration for quarters to be rented to the Collector of Internal Revenue, \$10,700, be amortized against earnings (rent received) over the period of the lease, in accordance with the request contained in the Board's letter St. 5571 of November 16, 1927.

It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of New York on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of New York with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus of about \$7,788,000. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$18,002,081.93	
Current expenses . . . . .	<u>6,436,693.28</u>	
Current net earnings . . . . .		\$11,565,388.65
Additions to current net earnings:		
Estimated net income from annex bldg. . . . .	71,406.27	
Profit on Equitable building lease . . . . .	24,181.44	
Sundry credits . . . . .	<u>2,692.35</u>	
Total additions . . . . .		98,280.06
Proposed deductions:		
Losses on sales of U. S. securities . . . . .	366,571.22	
Furniture and equipment . . . . .	133,848.18	
Banking house - New York:		
2% reserve on building . . . . .	179,526.99	
Reserve on fixed machinery & equipment . . . . .	203,260.96	
Alterations to banking house-vault . . . . .	43,123.11	
Banking house - Buffalo:		
2% reserve on building . . . . .	6,900.00	
Repairs and alterations . . . . .	121,941.92	
Reserve for self-insurance fund . . . . .	58,705.02	
Sundry debits . . . . .	<u>10,653.80</u>	
Total deductions . . . . .		<u>1,124,531.20</u>
Balance available for dividends and surplus . . . . .		10,539,137.51

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Dividends paid June 30 . . . . .	\$1,277,975.00
Estimated dividends July 1 to December 31	<u>1,473,025.00</u>
Total dividends . . . . .	<u>\$2,751,000.00</u>
Balance to be transferred to surplus . . . . .	7,788,137.51

According to the statements accompanying the dividend resolution, no amounts are due to the reserve bank from failed banks or banks considered to be in an unsafe condition.

The \$58,705.02 which the bank desires to add to its reserve for self-insurance represents the income and profit during the year on the securities in which the fund, now amounting to \$1,385,163.19, is invested, which earnings have been included with the earnings of the bank in accordance with the Board's instructions.

In explanation of the charge of \$43,123.11 for alterations to the banking house-vault at the main building in New York, your committee is advised that these alterations represent additional shelving to take care of earmarked gold bars. The repairs and alterations at the Buffalo building amounting to \$121,941.92 were required to put the premises in condition for occupancy by the Federal Reserve Branch. Your committee understands that these alterations have not materially increased the market value of the building.

The annex building and the building at 10 Gold Street are to be entirely rented to tenants and as they cannot be properly considered as part of the banking house, the bank recommends that in future all costs in connection with such premises, including depreciation, be charged against rent received. The net income from this property during 1928 was \$71,400 which is equivalent to about 3.8 per cent on the book value of the property.

YOUR COMMITTEE finds that all other deductions from current net earnings conform to the general principles heretofore followed and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Philadelphia on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Philadelphia with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus of about \$2,272,000. Estimated earnings and proposed deductions therefrom are as follows:

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"Gross earnings . . . . .	\$5,308,000	
Current expenses . . . . .	<u>2,029,000</u>	
Current net earnings . . . . .		\$3,279,000
Sundry credits . . . . .		1,000

## Proposed deductions:

Losses on sales of U. S. securities . . . . .	121,000	
Furniture and equipment . . . . .	40,000	
Sundry debits . . . . .	<u>3,000</u>	
Total deductions . . . . .		164,000
Balance available for dividends and surplus		<u>\$3,116,000</u>
Dividends paid June 30 . . . . .	411,300	
Estimated dividends July 1 to December 31	<u>432,700</u>	
Total dividends . . . . .		844,000
Balance to be transferred to surplus . . . . .		<u>2,272,000</u>

According to statements accompanying the dividend resolution, no amounts are due to the reserve bank from failed banks or banks considered to be in an unsafe condition.

The Philadelphia building is now being carried considerably below its market value and the bank therefore has not asked for authority to set up any depreciation reserves.

YOUR COMMITTEE finds that all the proposed deductions from current net earnings conform to the general principles heretofore followed and which have been prescribed by the Board for the present year, and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Cleveland on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Cleveland with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus of about \$2,194,500. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$6,133,899.28	
Current expenses . . . . .	<u>2,603,633.79</u>	
Current net earnings . . . . .		\$3,530,265.49

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## "Proposed deductions:

Balance, Profit and Loss Account . . . . .	*	\$80,000.00	
Furniture and equipment . . . . .		55,800.00	
Reserve on Cleveland building . . . . .		91,486.91	
Reserve on Cleveland fixed machinery and equipment . . . . .		151,134.00	
Reserve on Pittsburgh Building . . . . .		14,011.49	
Reserve on Pittsburgh fixed machinery and equipment . . . . .		13,899.45	
Charge-off on Cincinnati Building . . . . .		50,358.00	
Reserve for self-insurance fund . . . . .		19,250.00	
Total deductions . . . . .		\$ 478,939.85	
Balance available for dividends and surplus . . . . .		3,051,325.64	
Dividends paid June 30 . . . . .		426,595.00	
Estimated dividends July 1 to December 31 . . . . .		430,280.00	
Total dividends . . . . .		856,875.00	
Balance to be transferred to surplus . . . . .		2,194,450.64	
*Due to losses on U. S. securities sold			

According to statements accompanying the dividend resolution the bank holds \$92,276.66 of paper of a bank considered to be in a seriously over-extended condition and none of suspended banks. The bank states that no loss is anticipated in connection with the above indebtedness.

The bank proposes to charge off \$50,358 for the purpose of writing the book value of the Cincinnati property down to an estimated replacement cost and then to amortize the balance, or replacement cost, over the period of the existing lease, 25 years. The monthly amortization charge will be made to current expense the same as rent paid. Your committee recommends that this procedure be approved.

In accordance with the plan heretofore approved by the Board, the bank asks authority to increase its self-insurance fund by \$19,250, the income on the present balance in the fund, \$521,750.67. Your committee recommends that the request be approved.

YOUR COMMITTEE finds that all other proposed deductions from current net earnings conform to the general principles heretofore followed and which have been prescribed by the Board for the present year, and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Richmond on December 31, 1928, as follows:

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"Your committee has examined the statement submitted by the Federal Reserve Bank of Richmond with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus and payment of franchise tax of about \$709,400. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings , . . . . .	\$2,828,000	
Current expenses . . . . .	<u>1,415,000</u>	
Current net earnings . . . . .		\$1,413,000
Proposed deductions:		
Furniture and equipment . . . . .	60,000	
Net debit balance, profit and loss account * . . . . .	38,000	
Banking house - Richmond:		
2% reserve on building . . . . .	31,001.13	
10% reserve on fixed machinery and equipment . . . . .	41,040.91	
Banking house - Baltimore:		
2% reserve on building . . . . .	25,300.	
10% reserve on fixed machinery and equipment . . . . .	30,500.	
Reserve for possible losses account failed banks . . . . .	50,000.	
Reserve for self insurance . . . . .	50,000.	
Net expense - other real estate . . . . .	<u>7,100.</u>	
Total deductions . . . . .		<u>332,942.04</u>
Balance available for dividends, surplus & fran. tax . . . . .		1,080,057.96
Dividends paid June 30 . . . . .	187,450	
Estimated dividends July 1 to December 31 . . . . .	<u>183,250</u>	
Total dividends . . . . .		<u>370,700.00</u>
Balance available for surplus & fran. tax . . . . .		709,357.96
Estimated transfer to surplus . . . . .	70,935.80	
Estimated franchise tax . . . . .	638,422.16	

\*Due to losses on U. S. securities sold

The statements accompanying the Richmond dividend resolution show that the bank now holds \$477,579.03 of paper of suspended banks on which it expects to sustain a loss of \$191,000 and \$1,698,121.45 of paper of banks in an over-extended or unsafe condition on which no losses are expected. The bank requests that its present reserve for probable losses, \$350,000, be increased to \$400,000, a figure which it does not consider excessive in view of the uncertainties and possibilities in the present situation. Your committee recommends that the bank's request be approved.

The bank also requests authority to set up an additional reserve of \$50,000 for self-insurance, increasing such reserve from \$250,000 to \$300,000 which your committee recommends be authorized.

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"YOUR COMMITTEE finds that all other deductions from current net earnings conform to the general principles heretofore followed and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Atlanta on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Atlanta with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings and leave a balance for transfer to surplus and payment of franchise tax of about \$1,247,600. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$3,584,093.00
Current expenses . . . . .	<u>1,239,432.00</u>
Current net earnings . . . . .	\$2,344,661.00
Sundry credits, Profit and Loss . . . . .	5,461.62

Proposed deductions:

Losses on sales of U. S. securities . . . . .	28,401.38
Furniture and equipment . . . . .	51,313.00
2% reserve on bank buildings:	
Atlanta . . . . .	20,017.29
New Orleans . . . . .	11,527.08
Nashville . . . . .	2,875.79
Jacksonville . . . . .	3,273.53
Birmingham . . . . .	4,716.61
10% reserve on fixed machinery & equipment:	
Atlanta . . . . .	17,527.93
New Orleans . . . . .	15,950.24
Nashville . . . . .	2,510.06
Jacksonville . . . . .	2,595.61
Birmingham . . . . .	4,678.79
Cost of Havana Vault . . . . .	70,000.00
Reserve for part cost of New F. R. Notes . . . . .	100,000.00
Reserve to cover difference in book and market value of U. S. securities owned.	50,000.00

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Reserve for probable losses, net . . . . .	\$402,000.00	
Charge-offs on failed banks . . . . .	1,158.21	
Sundry debits . . . . .	<u>1,722.79</u>	
Total deductions . . . . .		\$790,268.31
Balance available for dividends, surplus & franchise tax . . . . .		1,559,854.31
Dividends paid June 30 . . . . .	155,567.00	
Estimated dividends July 1 to December 31 . . . . .	<u>156,692.00</u>	
Total dividends . . . . .		312,259.00
Balance available for surplus and franchise tax . . . . .		1,247,595.31
Estimated transfer to surplus . . . . .		545,011.83
Estimated franchise tax . . . . .		702,583.48

The statements accompanying the Atlanta dividend resolution show that the bank now holds \$2,275,908.67 of paper of suspended banks on which it estimates that it will sustain a loss of \$462,000 and \$633,114.15 of paper of banks in a seriously over-extended condition on which it estimates a probable loss of \$85,000. The bank now has a reserve for probable losses of \$172,013.89 and is proposing to set aside an additional reserve of \$402,000 net, i. e., \$437,000 less \$35,000 to be returned to profit and loss. This will give the bank a total reserve of about \$574,000 as compared with estimated losses of \$547,000. Your committee recommends that the bank be authorized to set aside the additional reserve requested.

The bank asks authority to charge-off the cost of the Havana vault amounting to \$70,000. Inasmuch as this vault is constructed in a rented building outside the United States and would have no material salvage value in case the agency were discontinued, your committee recommends that the charge be authorized.

The bank also asks authority to set up a reserve of \$100,000 to cover a part of the cost of the new size Federal reserve notes. While it is true that all Federal reserve banks will have additional note costs during the forthcoming year it is impossible at this time to estimate how much the additional cost will be and your committee does not believe that any reserve should be set aside out of 1928 earnings to cover such expenses during 1929. It is, therefore, recommended that the Atlanta request to set aside a reserve for this purpose be disapproved.

The bank also asks for authority to set aside a reserve of \$50,000 to cover the difference between the book and market value of its holdings of U. S. securities, presumably Treasury notes. While the Board has in past years authorized the banks to set aside a reserve to cover depreciation on U. S. bonds it has never authorized a bank to set aside a reserve to cover depreciation on Treasury notes. Several of the other Federal reserve banks have holdings of Treasury notes materially in excess of the holdings of the Atlanta bank for which no depreciation reserve has been requested. In the opinion of your committee it is not necessary to establish the precedent of setting aside a reserve to cover depreciation on short-term U. S. securities and therefore recommends that the request be disapproved.

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"YOUR COMMITTEE finds that all other deductions from current net earnings conform to the general principles heretofore followed and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Chicago on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Chicago with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus of about \$3,402,500. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$8,692,000	
Current expenses . . . . .	<u>3,672,000</u>	
Current net earnings . . . . .		\$5,020,000.00
Proposed deductions:		
Balance, Profit and Loss Account . . . . .	*195,000	
Banking House - Chicago:		
2% reserve on building . . . . .	90,996.72	
6 2/3% reserve on fixed machinery and equipment . . . . .	74,200.00	
Banking House - Detroit:		
2% reserve on building . . . . .	20,068.75	
6 2/3% reserve on fixed machinery and equipment . . . . .	7,544.09	
Furniture and equipment . . . . .	70,000.	
Reserve for probable losses . . . . .	59,000	
Sundry debits . . . . .	<u>1,000</u>	
Total deductions . . . . .		<u>517,809.56</u>
Balance available for dividends and surplus . . . . .		4,502,190.44
Dividends paid June 30 . . . . .	549,739.33	
Estimated dividends July to Dec 31 . . . . .	<u>550,000.00</u>	
Total dividends . . . . .		<u>1,099,739.33</u>
Balance to be transferred to surplus . . . . .		3,402,451.11
*Due to losses on U. S. securities sold		

The statements accompanying the dividend resolutions of the Federal Reserve Bank of Chicago show that the bank now holds \$248,995.08 net of paper of

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"suspended banks on which it expects to sustain a loss of \$70,000. The bank also holds \$3,905,203.04 of paper of banks in an over-extended or unsafe condition but states that they are unable at this time to estimate any definite loss that may be sustained through the closing of any of the banks. The bank asks authority to charge its reserve with about \$90,000.00 on account of claims against banks suspended in 1925 and 1926 and to set up an additional reserve of about \$59,000 in order to maintain its reserve, after allowing for recoveries, at the present amount of \$1,250,000.

The reserve bank holds slightly in excess of \$90,000 of paper rediscounted for banks suspended in 1925 and 1926 on which it estimated it will sustain a loss of \$50,000, but asks that the full amount of the indebtedness be charged to its present reserve. Your committee is of the opinion that no loss on paper of suspended banks should be charged to the reserve set up to take care of such losses until the amount of the loss is more or less definitely known, and suggests that Chicago be advised accordingly. In view of the fact that Chicago's subscribed capital is \$4,162,000 in excess of its surplus, and the question of franchise tax is not involved, your committee recommends that the bank be authorized to set up an additional reserve of \$59,000 in case it believes that probable losses on paper now held warrants increasing their reserve by that amount.

YOUR COMMITTEE finds that all other proposed deductions from current net earnings conform to the general principles heretofore followed and which have been prescribed by the Board for the present year, and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of St. Louis on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of St. Louis with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus of about \$324,900. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$2,843,263.02
Current expenses . . . . .	1,348,869.06
Current net earnings . . . . .	\$1,494,393.96
Sundry credits . . . . .	8,811.91
Proposed deductions:	
Debits to Profit and Loss . . . . .	*402,165.41
Furniture and equipment . . . . .	37,552.03

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"2% reserve on head-office building . . . . .	\$33,615.06	
10% reserve on head-office fixed machinery and equipment . . . . .	112,603.80	
2% reserve on Louisville building . . . . .	2,902.67	
10% reserve on Louisville fixed machinery and equipment . . . . .	3,506.02	
2% reserve on Little Rock building . . . . .	3,757.30	
10% reserve on Little Rock fixed machinery and equipment . . . . .	10,360.78	
Reserve for Self-Insurance fund . . . . .	<u>250,000.00</u>	
Total deductions . . . . .		<u>\$856,463.07</u>
Balance available for dividends and surplus . . . . .		646,742.80
Dividends paid June 30 . . . . .	159,997.00	
Estimated dividends July 1 to December 31 . . . . .	<u>161,855.09</u>	
Total dividends . . . . .		<u>321,852.09</u>
Balance to be transferred to surplus . . . . .		324,890.71

\*Includes losses on U. S. securities sold.

The statements accompanying the dividend resolution of the St. Louis bank show that the net unpaid indebtedness of failed banks amounted to \$227,526.24 on November 30, on which the Federal reserve bank estimates a possible loss of \$218,000. The bank also reports the indebtedness of banks considered to be in an over-extended or unsafe condition as \$334,662.00, on which it estimates a possible loss of \$62,500. The bank therefore estimates that it may sustain a total loss of \$280,500 on paper now held, and as they have a reserve for that purpose of \$361,000, the Board of Directors has ordered that subject to the approval of the Federal Reserve Board \$80,500 be returned to the profit and loss account. The return of this \$80,500 to profit and loss account will increase the amount to be transferred to surplus by the St. Louis bank to \$405,390.71.

The Federal Reserve Bank of St. Louis requests the authority to establish a self-insurance reserve and to set aside \$250,000 out of earnings for the current year for this purpose with the understanding that in case of any loss the underwriters' insurance would be exhausted before this fund would be touched. Self-insurance reserves are now held as follows:

New York	\$1,385,163.19
Cleveland	521,750.67
Richmond	250,000.00

Your committee recommends that the bank's request to set up a self-insurance reserve of \$250,000 be approved.

YOUR COMMITTEE finds that all other proposed deductions from current net earnings conform to the general principles heretofore followed and which have been prescribed by the Board for the present year, and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

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Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Minneapolis on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Minneapolis with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus account and payment of franchise tax of about \$278,700. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$1,577,000.00	
Current expenses . . . . .	<u>983,000.00</u>	\$594,000.00
Current net earnings . . . . .		

## Proposed deductions:

Furniture and equipment . . . . .	27,000.00	
2% reserve on Minneapolis building . . . . .	25,665.63	
10% reserve on Minneapolis fixed machinery & equipment . . . . .	62,005.35	
2% reserve on Helena building . . . . .	2,700.00	
10% reserve on Helena fixed machinery & equipment . . . . .	1,610.90	
All Other . . . . .	* 15,000.00	
Total deductions . . . . .	<u>133,981.88</u>	
Balance available for dividends, surplus & franchise tax . . . . .		460,018.12
Dividends paid June 30 . . . . .	90,780.00	
Estimated dividends July 1 to December 31 . . . . .	<u>90,495.00</u>	
Total dividends . . . . .		181,275.00
Balance available for surplus and franchise tax . . . . .		278,743.12
Estimated transfer to surplus . . . . .		27,874.31
Estimated franchise tax . . . . .		250,868.81

\*Includes losses on U. S. securities sold.

According to statements accompanying the dividend resolution, amounts due to the reserve bank on November 30 from suspended banks amounted to \$456,858.52, on which the reserve bank estimates that it will sustain a loss of \$102,600. In addition the bank held paper of member banks in an over-extended condition amounting to \$1,106,526.49, on which it estimates no loss.

The bank has a reserve of \$614,000 to cover losses on paper of suspended banks which is over \$500,000 in excess of anticipated losses. Your committee feels that this excess is relatively large and therefore recommends that the directors of the Minneapolis Bank be requested to report to the Board whether a portion of this reserve should not now be returned to the profit and loss account. If the directors recommend against the return of a portion of the reserve to profit and loss reasons justifying the retention of the full amount should be presented.

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"YOUR COMMITTEE finds that all other proposed deductions from current net earnings conform to the general principles heretofore followed and which have been prescribed by the Board for the present year, and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Kansas City on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Kansas City with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus and payment of franchise tax of about \$326,800. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$2,549,820.60	
Current expenses . . . . .	<u>1,695,696.29</u>	
Current net earnings . . . . .		\$854,124.31
Proposed deductions:		
Furniture and equipment . . . . .	19,000.00	
Profit and loss . . . . .	* 86,905.58	
2% reserves on bank buildings:		
Kansas City . . . . .	50,052.65	
Oklahoma City . . . . .	6,617.90	
Omaha . . . . .	6,390.27	
Denver . . . . .	7,250.87	
10% reserves on fixed machinery & equipment:		
Kansas City . . . . .	77,794.06	
Oklahoma City . . . . .	7,489.07	
Omaha . . . . .	7,048.75	
Denver . . . . .	<u>5,544.79</u>	
Total deductions . . . . .		274,093.94
Balance available for dividends, surplus and franchise tax . . . . .		580,030.37
Dividends paid June 30 . . . . .	127,101.17	
Estimated dividends July 1 to December 31 . . . . .	<u>126,151.00</u>	
Total dividends . . . . .		<u>253,252.17</u>
Balance available for surplus and franchise tax . . . . .		326,778.20
Estimated transfer to surplus . . . . .		32,677.82
Estimated franchise tax . . . . .		294,100.38
*Due to losses on U. S. securities sold.		

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"According to statements accompanying the dividend resolution, amounts due to the reserve bank on November 30 from suspended banks amounted to \$184,911.58, on which the bank estimates its loss at \$22,000. The bank also held \$1,352,323.90 of paper of banks considered to be in an unsafe condition, on which it estimates its loss at about 10 per cent of the total, or \$135,000. The bank now has a reserve for probable losses of \$291,484, or \$134,484 in excess of its estimated losses and therefore makes no request for an additional reserve at this time.

YOUR COMMITTEE finds that all the proposed deductions from current net earnings conform to the general principles heretofore followed and which have been prescribed by the Board for the present year, and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of Dallas on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of Dallas with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus and payment of franchise tax of about \$476,800. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$2,137,539.28
Current expenses . . . . .	<u>1,242,336.26</u>
Current net earnings . . . . .	\$895,203.02
Proposed deductions:	
Furniture and equipment . . . . .	46,617.21
Current Profit and Loss Account . . . . .	* 70,574.52
2% reserve on bank buildings:	
Dallas . . . . .	18,605.94
El Paso . . . . .	1,793.77
Houston . . . . .	4,749.31
Annual reserve on fixed machinery and equipment:	
Dallas . . . . .	14,379.06
El Paso . . . . .	737.43
Houston . . . . .	2,285.55
Other debits . . . . .	<u>177.29</u>
Total deductions . . . . .	\$159,920.08
Balance available for dividends, surplus and franchise tax . . . . .	735,282.94
Dividends paid June 30 . . . . .	129,074.00
Estimated dividends July 1 to December 31 . . . . .	<u>129,444.66</u>
Total dividends . . . . .	<u>258,518.66</u>

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"Balance available for surplus and franchise tax . . . . .	\$476,764.28
Estimated transfer to surplus . . . . .	151,806.43
Estimated franchise tax . . . . .	324,957.85

\*Due to losses on U. S. securities sold.

According to the statement accompanying the dividend resolution amounts due the reserve bank on November 30 from suspended banks, after deducting amounts previously charged off, aggregated \$8,423.81. The bank estimates that it will sustain no losses on paper amounting to \$37,641.26 held under discount for member banks in an over-extended condition. Your committee recommends that the bank be authorized to charge its reserve for losses, which now amounts to \$208,621.67, with the \$8,423.81 indebtedness of suspended banks as requested by the bank's directors.

YOUR COMMITTEE finds that all the proposed deductions from current net earnings conform to the general principles heretofore followed and which have been prescribed by the Board for the present year, and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

Report of Committee on Salaries and Expenditures dated December 17th, with reference to the closing of the books of the Federal Reserve Bank of San Francisco on December 31, 1928, as follows:

"Your committee has examined the statement submitted by the Federal Reserve Bank of San Francisco with its request for authority to close its books and pay the semi-annual dividend, and finds that on the basis of the figures shown therein the estimated gross earnings will be sufficient to cover current operating expenses, accrued dividends, and other proposed charges against current earnings, and leave a balance for transfer to surplus of about \$1,390,000. Estimated earnings and proposed deductions therefrom are as follows:

Gross earnings . . . . .	\$4,807,000
Current expenses . . . . .	<u>2,414,000</u>
Current net earnings . . . . .	\$2,393,000

Proposed deductions:

Profit and Loss, etc. . . . .	* 100,000
Other Real Estate-net expense . . . . .	14,000
Furniture and equipment . . . . .	16,000
2 per cent reserve on Head Office Bldg. . . . .	48,263.00
10 per cent reserve on Head Office fixed machinery and equipment . . . . .	77,490.78

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"2 per cent reserve on Salt Lake City building . . . . .	\$6,828.99	
10 per cent reserve on Salt Lake City fixed machinery and equipment . . . . .	8,481.36	
Reserve for probable losses . . . . .	<u>105,408.95</u>	
Total deductions . . . . .		<u>\$376,473.08</u>
Balance available for dividends and surplus . . . . .		\$2,016,526.92
Dividends paid June 30 . . . . .	300,458.00	
Estimated dividends July 1 to Dec. 31 . . . . .	<u>326,542.00</u>	
Total dividends . . . . .		<u>627,000.00</u>
Balance to be transferred to surplus . . . . .		1,389,526.92
*Due to losses on U.S. securities sold.		

According to statements accompanying the dividend resolution, the bank held on November 30, \$1,774,264.09 of paper of suspended banks on which it estimates its loss as \$1,457,289.13. The bank also holds \$147,757.19 of paper of banks considered to be in an unsafe or unsatisfactory condition and on which it anticipates to sustain no loss. The bank's estimated loss on paper of suspended banks, \$1,457,289.13, is \$105,408.95 in excess of its present reserve of \$1,351,880.18 and it asks authority to set up an additional reserve of that amount. The committee recommends that the additional reserve be authorized by the Board.

YOUR COMMITTEE finds that all the proposed deductions from current net earnings conform to the general principles heretofore followed and which have been prescribed by the Board for the present year, and recommends that they be approved. It is also recommended that the bank be authorized to pay the usual semi-annual dividend on December 31."

Upon motion, the recommendations of the Committee were approved.

The Governor then announced that at the meeting of the Board on Friday he would like to discuss with the members reallocation of Committee appointments for the ensuing year.

#### REPORTS OF STANDING COMMITTEES:

- Dated, December 19th, 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 14th, Recommending approval of the application of Mr. Arthur E. Crone for permission to serve at the same time as director of the Plainfield National Bank, Plainfield, N. J., and as director of the Plainfield Trust Company, Plainfield, N. J.  
Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, December 14th, Recommending approval of the application of Mr. Harry H. Pond for permission to serve at the same time as director of the Plainfield National Bank, Plainfield, N.J. as director of the Plainfield Trust Company, Plainfield, N. J., and as officer of the Chase National Bank, New York, N. Y.

Approved.

Dated, December 14th, Recommending approval of the application of Mr. Augustus V. Heely for permission to serve at the same time as director and officer of the Plainfield Trust Company, Plainfield, N. J., as director of the Plainfield National Bank, Plainfield, N. J., and as officer and director of the Farmers Loan & Trust Company, New York, N. Y.

Approved.

Dated, December 14th, Recommending approval of the application of Mr. DeWitt Hubbell for permission to serve at the same time as director of the Plainfield National Bank, Plainfield, N. J., and as director of the Plainfield Trust Company, Plainfield, N. J.

Approved.

Dated, December 14th, Recommending approval of the application of Mr. Frank H. Smith for permission to serve at the same time as director of the Plainfield National Bank, Plainfield, N. J., and as director of the Plainfield Trust Company, Plainfield, N. J.

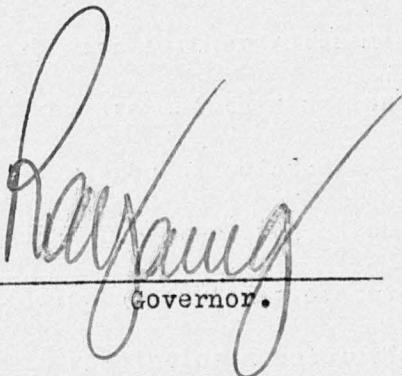
Approved.

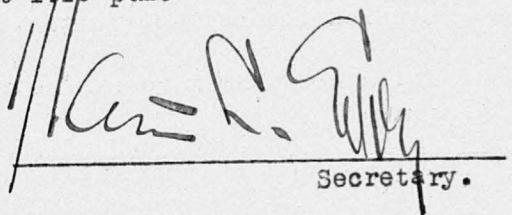
Dated, December 15th, Recommending approval of the application of Mr. R. W. Wier for permission to serve at the same time as director of the Union National Bank, Houston, Texas and as director of the San Jacinto Trust Company, Houston, Texas.

Approved.

The meeting adjourned at 1:10 p.m.

Approved:

  
\_\_\_\_\_  
Governor.

  
\_\_\_\_\_  
Secretary.