A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, December 31, 1928 at 12:00 o'clock noon.

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

The minutes of the meetings of the Federal Reserve Board held on December 28th and 29th were read and approved.

Telegram dated December 28th from the Chairman of the Federal Reserve Bank of Chicago, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated December 28th from Mr. Miller advising that effective January 1, 1929 the salary of Beverly Carter, messenger-clerk, assigned to his office, will be increased from $1500 to $1600 per annum.

Noted.

Letter dated December 27th from the Federal Reserve Agent at Atlanta, requesting approval of the designation of Messrs. E. P. Paris, J. J. Byrne and R. A. Radford, as Examiners during the year 1929 and the designation of the following officers of the bank as Special Examiners for the year:

Ward Albertson, Assistant Federal Reserve Agent
Creed Taylor, Deputy Governor
W. S. Johns, General Auditor
J. W. Honour, Assistant Auditor
H. F. Conniff, Assistant Cashier
V. K. Bowman, Assistant Cashier
J. A. Walker, Assistant Manager, New Orleans Branch
Approved.

Telegram dated December 28th from the Chairman of the Federal Reserve Bank of Chicago, advising of the reappointment of Mr. William J. Gray as Director of the Detroit Branch for a term of three years, beginning January 1, 1929 and of Mr. William H. Cation as Managing Director of the Branch for the year 1929.

Noted.

Report of Committee on Salaries and Expenditures on letter dated December 24th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting list of employees for whom the directors of that bank approved leaves of absence with pay, on account of illness, during the month of November where the total of such absences since January 1, 1928 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of Executive Committee on letter dated December 29th from the Comptroller of the Currency, recommending approval of increases aggregating $36,600 in the salaries of 100 National Bank Examiners listed therein; the Board's Committee also recommending approval.

Approved.

Report of Executive Committee on memorandum dated December 29th from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Paw Paw, Michigan, for permission to reduce its capital from $100,000 to $75,000 on condition that the released capital be added to the surplus fund of the bank; the Board's Committee also recommending approval.

Approved.

The Governor then reported a telephone conversation with the Governor of
the Federal Reserve Bank of New York, during which it was suggested that a meeting of the Open Market Investment Committee should be held some time during the early part of January. He suggested that, if convenient to the members of the Board, January 7th be fixed as the date for the meeting.

A discussion then ensued with respect to the advisability of an increase in the buying rates of the Federal Reserve banks. It was pointed out that an increase in bill rates would undoubtedly result in a further stiffening of call rates which would furnish an added incentive to member banks to carry call loans rather than to employ the proceeds of the end of the year return flow of currency to the liquidation of indebtedness at the Federal Reserve banks.

The discussion then touched upon the procedure followed at some of the Reserve banks in seeking to restrain member banks from rediscourting for the purpose of making or maintaining loans on call, and the desirability of some suitable procedure to accomplish this purpose being worked out and applied at other Reserve banks.

Whereupon, as he stated, in order to ascertain and better define the attitude of the Federal Reserve Board in this matter and to provide a basis for administrative action, Mr. Miller moved -

"It is the opinion of the Federal Reserve Board that the spread between the rediscount rates of the Federal Reserve banks and rates for stock exchange loans (both call and time) is such as to offer a temptation to member banks to use Federal Reserve credit facilities for the purpose of making or sustaining such loans, and that, therefore, steps should be taken by the Board to ascertain what the Federal Reserve banks are doing or propose to do to prevent the improper use of Federal Reserve credit facilities by their member banks."

Following the discussion, the resolution was put to a vote and carried, the members voting as follows:
Mr. Platt, "aye"
Mr. Hamlin, "aye"
Mr. Miller, "aye"
Mr. James, "aye"
Mr. Cunningham, "aye"
Governor Young, "no"
Mr. Pole, "not voting"

The Governor reserved the right to make a statement regarding his vote on the above resolution at a later date.

Mr. Pole stated that he had not had an opportunity of discussing the various matters covered by the resolution in as great detail as other members of the Board and that he, therefore, preferred not to vote on the resolution.

Mr. Hamlin stated:

"The resolution does not express any opinion of the Federal Reserve Board that all so-called stock exchange loans are illegal or improper, and does not express an opinion against member banks being allowed to replenish their reserves when deficiencies are in part caused by speculative loans. It simply points out the temptation that exists under the present spread in rates and asks how the Federal reserve banks are going to meet it during the coming year."

It was then voted that the meeting of the Open Market Investment Committee be held on January 7th.

Mr. Cunningham voted "no" on this motion, stating that he believed the date should be somewhat later in order to give the Board a better picture of what the January credit developments will be.

REPORTS OF STANDING COMMITTEES:
Dated, December 29th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, December 22nd, Recommending approval of the application of Mr. A. L. Shapleigh for permission to serve at the same time as director and officer of the Merchants-Laclede National Bank, St. Louis, Mo., as director of the Scruggs-Vandervoort-Barney Bank of St. Louis, Mo., and as director of the Industrial Savings and Trust Company of St. Louis, Mo.

Approved.
REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, December 27th, Recommending approval of the application of Mr. Oscar Lawler for permission to serve at the same time as director of the Farmers & Merchants National Bank of Los Angeles, Cal., and as director of the First National Bank of Beverly Hills, Cal.
Approved.

Dated, December 27th, Recommending approval of the application of Mr. John K. Hardy for permission to serve at the same time as director of the National Copper Bank, Salt Lake City, Utah and as officer and director of the Pacific Coast Joint Stock Land Bank, Salt Lake City, Utah.
Approved.

Dated, December 22nd, Recommending approval of the application of Mr. Robert McK. Jones for permission to serve at the same time as director of the First National Bank of St. Louis, Mo., as director of the Industrial Savings & Trust Company of St. Louis, Mo., and as director of the Scruggs-Vandervoort-Barney Bank of St. Louis, Mo.
Approved.

Dated, December 22nd, Recommending approval of the application of Mr. Frank MacPherson for permission to serve at the same time as director of the First National Bank of Montgomery, Ala., and as director of the First Joint Stock Land Bank of Montgomery, Ala.
Approved.

Dated, December 22nd, Recommending approval of the application of Mr. J. L. Gaston for permission to serve at the same time as director of the First Joint Stock Land Bank of Montgomery, Ala., and as director and officer of the First National Bank of Montgomery, Ala.
Approved.

Dated, December 22nd, Recommending approval of the application of Mr. W. A. Bellingrath for permission to serve at the same time as director of the First National Bank of Montgomery, Ala., and as director of the First Joint Stock Land Bank of Montgomery, Ala.
Approved.

Dated, December 22nd, Recommending approval of the application of Mr. Algernon Blair for permission to serve at the same time as director of the First National Bank of Montgomery, Ala., and as director of the First Joint Stock Land Bank of Montgomery, Ala.
Approved.

Dated, December 22nd, Recommending approval of the application of Mr. W. C. Bowman for permission to serve at the same time as director of the First National Bank of Montgomery, Ala.,
Reports of Standing Committees: (Cont'd)

and as director of the First Joint Stock Land Bank of
Montgomery, Ala.

Approved.

Dated, December 22nd, Recommending approval of the application of Mr. R. M.
Hobbie for permission to serve at the same time as di-
rector of the First National Bank of Montgomery, Ala.,
and as director of the First Joint Stock Land Bank of
Montgomery, Ala.

Approved.

Dated, December 22nd, Recommending approval of the application of Mr. R. F.
Ligon for permission to serve at the same time as di-
rector of the First National Bank of Montgomery, Ala.,
and as director of the First Joint Stock Land Bank of
Montgomery, Ala.

Approved.

Dated, December 22nd, Recommending approval of the application of Mr. Robert
E. Steiner, Jr., for permission to serve at the same time as
director of the First National Bank of Montgomery,
Ala., and as director of the First Joint Stock Land Bank
of Montgomery, Ala.

Approved.

Dated, December 22nd, Recommending approval of the application of Mr. A. S.
Woolfolk for permission to serve at the same time as
officer and director of the First National Bank of Mont-
gomery, Ala., and as officer and director of the First
Joint Stock Land Bank of Montgomery, Ala.

Approved.

Dated, December 22nd, Recommending approval of the application of Mr. Arthur
Pelzer for permission to serve at the same time as di-
rector of the First National Bank of Montgomery, Ala.,
and as director of the First Joint Stock Land Bank of
Montgomery, Ala.

Approved.

Dated, December 22nd, Recommending approval of the application of Mr. A. M.
Baldwin for permission to serve at the same time as
officer and director of the First National Bank of Mont-
gomery, Ala., as director of the First National Bank
of Wetumpka, Ala., and as director of the First Joint
Stock Land Bank of Montgomery, Ala.

Approved.

The meeting adjourned at 2:00 p.m.

Approved: Secretary.

Approved: Governor.