

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, January 4, 1929 at 12:00 o'clock noon.

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

The reading of the minutes of the meetings of the Board held on December 31st and January 3rd was dispensed with.

Telegram dated January 3rd from the Chairman of the Federal Reserve Bank of San Francisco, 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.

Telegram dated January 3rd from the Deputy Governor of the Federal Reserve Bank of Kansas City, requesting authority to increase total advances to the Federal Intermediate Credit Bank of Omaha to \$3,750,000 by the rediscount of an additional \$750,000.

Approved.

Memorandum dated January 4th from the Committee on District #11, advising that Mr. Reagan Houston who, following his reappointment as a director of the San Antonio Branch, on December 17th advised that he would be unable to accept, has now reconsidered and accepted reappointment for a term of three years, beginning January 1, 1929.

Noted.

Mr. Hamlin then presented a letter addressed to him by the Federal

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Reserve Agent at Boston under date of December 31st, referring to the steady decline of the reserve ratio of that bank and commenting upon the bank's low bill rate and increasing portfolio of acceptances as a factor in the decline.

Ordered circulated.

At this point the Secretary of the Treasury and the Comptroller of the Currency joined the meeting and Mr. Mellon took the chair. The Governor reviewed the action taken by the Board yesterday upon receipt of advice from the Federal Reserve Bank of New York of the establishment, effective today, of a revised schedule of buying rates. He stated that he was advised over the telephone by the Governor of the New York bank late yesterday evening that the new schedule of rates had already been announced, and presented the following telegram received this morning from Governor Harrison:

"Referring our telephone conversation this morning the principal reasons which influenced us in raising some of the minimum rates for purchase of bills yesterday were: Changed conditions in discount market, where the rate bid for new bills by dealers advanced gradually during December from 4 5/8 percent in early part of month to 4 7/8 and even 5 percent for deliveries of bills after first of year, and with offering rates, although not widely advertised, up to 4 3/4 percent for indorsed bills. Notwithstanding these advances, dealers continued to receive bills faster than they could distribute them and were apprehensive of having to increase rates still further up to a point where they might have to offer bills at 5 percent to induce investors to purchase them. Under these conditions a buying rate of 4 1/2 percent for reserve banks was out of line with the market and if continued could only result in large volume of offerings to reserve banks by banks which could buy at a higher rate and sell at a low rate as a scalp, and so frustrate the seasonal reductions in reserve bank portfolios which should occur with the seasonal reduction in the requirement for increased reserve credit and the seasonal reduction in the outstanding volume of currency if we are to avoid a plethora of funds in the market which would invite further increase in the total volume of credit. The advance on sixty and ninety days bills brings the rate up to 1/4 percent below our discount rate and at these levels the buying rate is still relatively lower than it frequently is during the season of autumn and early winter demands for credit. The 4 1/2 percent rate was maintained during the entire season of necessary increase in credit in order that trade and commerce, and particularly the crop movement, might not be restricted for lack of credit at relatively moderate rates. Under the circumstances outlined above, however, there seemed no satisfactory alternative to recognizing the changed market conditions by a change in our rate at this time."

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Upon motion, the schedule of buying rates established by the New York directors was "noted", and a further discussion ensued with respect to the need of a change in the present procedure with reference to the establishment of rates for purchases of acceptances.

Mr. Miller moved that the Governor be requested to prepare for action by the Board draft of a regulation superseding all existing regulations or practices governing bill rates, which will make all rates subject to review and determination by the Board in the same manner as discount rates are now subject to review.

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

It was understood that the regulation to be prepared by the Governor would be discussed with the Open Market Investment Committee at the meeting on Monday, and Mr. Miller was requested to arrange, if possible, for a conference tomorrow morning regarding it with Mr. Paul M. Warburg.

Telegrams dated January 4th from the Governor of the Federal Reserve Bank of Boston and the Secretary of the Federal Reserve Bank of Minneapolis, advising of the establishment, effective today, of the schedule of buying rates adopted by the New York bank, as follows:

Bankers' acceptances:

1 to 30 days	-	4 1/2%
31 to 90 days	-	4 3/4%
91 to 120 days	-	4 7/8%
121 to 180 days	-	5%
Repurchase	-	4 3/4%

Trade acceptances - 5%

Noted.

Telegram dated January 4th from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment, effective today, of the following schedule of rates for purchases of bankers acceptances:

1 to 30 days	-	4 5/8%
31 to 90 days	-	4 7/8%
91 to 180 days	-	5%

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Noted.

Telegram dated January 4th from the Chairman of the Federal Reserve Bank of St. Louis, advising of the establishment, effective today, of the following schedule of rates for purchases of bankers acceptances:

1 to 30 days	-	4 1/2%
31 to 90 days	-	4 3/4%
91 to 120 days	-	4 7/8%
121 to 180 days	-	5%

Noted.

Letter dated January 4th from the Comptroller of the Currency, approved by the Executive Committee, recommending approval of increases in the salaries of certain Chief National Bank Examiners, Assistant Chief National Bank Examiners and National Bank Examiners listed therein.

Approved.

The meeting recessed at 1:00 o'clock, and reconvened at 3:00 o'clock, the same members being present as attended the morning session with the exception of the Chairman.

Mr. Miller reported that he had communicated over the telephone with Mr. Paul M. Warburg, who will come to Washington for a conference with the Board tomorrow morning at 10:00 o'clock regarding the regulation which it is proposed to issue regarding the establishment of buying rates.

Mr. Pole then discussed with the members of the Board the application of the Union National Bank of Fremont, Nebraska, approved by the Chief National Bank Examiner and the Federal Reserve Agent at Kansas City for permission to reduce its capital from \$300,000 to \$150,000. He stated that the Union National Bank has \$237,000 of slow paper, \$66,000 of doubtful and \$173,000 of losses. He stated that if an assessment to make good the impairment of capital were

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levied on the present stockholders but slightly more than 50% could be collected and would result, in the opinion of the Chief National Bank Examiner, in the closing of the bank. The only alternative, he stated, is a reduction in capital and he advised that if the reduction is approved by the Board the National Bank Examiner has assured him that several prominent citizens of worth in the vicinity of Fremont will acquire stock in the bank and take an active interest in its future management, which the Chief Examiner believes will assure improvement in its condition. He stated that the citizens referred to will not come into the bank under the present setup.

After full discussion, Mr. James moved approval of the reduction in capital on condition that the released capital will be used to remove losses and on the further condition that the new men referred to by the Comptroller will acquire stock in the bank and join actively in its future management in an effort to improve its condition.

Mr. James' motion being put by the Chair was carried, Mr. Cunningham not voting.

Mr. James then reported that Mr. Paul Dillard, Class C Director of the Federal Reserve Bank of St. Louis, came to Washington from his home in Memphis, Tenn. at the request of Governor Young and himself, for the purpose of consultation relative to the possible appointment of a Chairman and Federal Reserve Agent at St. Louis in the event of Mr. Martin's being elected Governor of the Bank.

He moved that Mr. Dillard's travelling expenses, together with a per diem allowance, aggregating \$105.40, be reimbursed by the Board.

Carried.

Telegram dated January 4th from the Chairman of the Federal Reserve Bank of Atlanta, advising of the establishment of the following schedule of

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rates for purchases of bankers acceptances:

1 to 30 days	-	4 1/2%
31 to 90 days	-	4 3/4%
91 to 120 days	-	4 7/8%
121 to 180 days	-	5%
Repurchase	-	4 3/4%

Noted.

Telegram dated January 4th 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, but that the Executive Committee established the following schedule of rates for purchases of bankers acceptances:

1 to 30 days	-	4 1/2%
31 to 90 days	-	4 3/4%
91 to 120 days	-	4 7/8%
121 to 180 days	-	5%

Noted.

Telegrams dated January 4th from the Chairman of the Federal Reserve Bank of Boston and the Secretary of the Federal Reserve Bank of Cleveland, advising that their boards of directors at meetings today made no changes in the banks' existing schedules of rates of discount and purchase.

Noted.

Further discussion then ensued with respect to the regulation to be prepared by the Governor governing the establishment of rates, which would make buying rates for bills subject to review and determination by the Board in the same manner as discount rates are now subject to review.

During the discussion, Mr. Cunningham suggested that at the pleasure of the Governor a meeting be held for the purpose of discussing fully the policy of the Federal Reserve System with regard to the purchase and holding of acceptances, with a view to having the Board fully informed as to just what the effect of the policy

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is and with the further thought of creating, if possible, a broader distribution of bills.

REPORTS OF STANDING COMMITTEES:

Dated, January 3rd, Recommending approval of the application of Mr. Kirk W. Todd for permission to serve at the same time as director of the Diamond National Bank, Pittsburgh, Pa., and as director of the Colonial Trust Company, Pittsburgh, Pa.

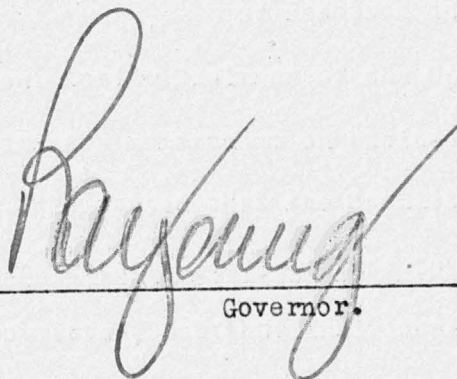
Approved.

Dated, January 4th, Recommending approval of the application of Mr. Frederick K. Teipel for permission to serve at the same time as director of the Bensonhurst National Bank, Brooklyn, N. Y., and as officer of the Manufacturers Trust Company, New York, N. Y.

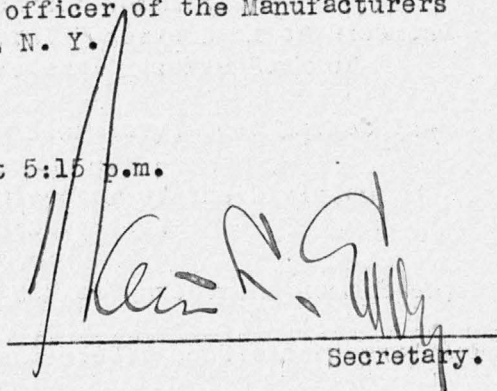
Approved.

The meeting adjourned at 5:15 p.m.

Approved:



 Governor.



 Secretary.