

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Saturday, January 19, 1929 at 11:00 a.m.

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

The Governor reported a telephone conversation this morning with Deputy Governor Kenzel of the Federal Reserve Bank of New York, during which he was advised that, in an effort to secure a better distribution of bills, dealers in New York are increasing their buying rates to a maximum of 5 1/8% for longer maturities, with the result that on Monday the Federal Reserve Bank of New York will probably find it necessary to further increase its buying rates. Mr. Kenzel stated that the change will probably have to be made before there is an opportunity for discussion of the matter by the Executive Committee or Board of Directors of the Bank, and that the necessary adjustments will be made and later presented to the Executive Committee of the Bank for approval. During the discussion which followed, the Secretary of the Treasury and Mr. Pole joined the meeting and the Secretary took the Chair. The discussion covered the probable effects of a further increase in buying rates, with the possibility of a later increase which might be necessary in rediscount rates, upon business and the money market. It was the consensus of opinion that the matter should be thoroughly considered by the directors of the Federal Reserve Bank of New York. It was suggested that the Governor and one or two other members of the Board might go to New York on Thursday for a conference, but Mr. Miller stated that Directors Young and Woolley of the New York bank may be in Washington on Tuesday

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in connection with another matter, and that it might be possible to arrange to have them meet with the Board. Mr. Miller was requested to endeavor to arrange for such a meeting.

The Secretary of the Treasury then left the meeting and, with the Governor in the Chair, further discussion ensued with respect to the general business and credit situation and methods by which the Federal Reserve System might control the seepage of Federal Reserve credit into the speculative security loan markets.

At the conclusion of the discussion, Mr. Cunningham moved that the Board's Counsel be directed to prepare and submit to the Board an appropriate amendment to Section IV of the Federal Reserve Act, reading as follows:

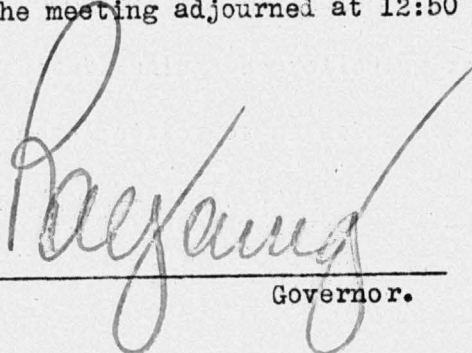
"Except with the approval of the Federal Reserve Board, which is concurred in by the affirmative vote of not less than five members of the Board, no member bank shall be entitled to the privilege of rediscounting with the Federal Reserve Bank of its District while simultaneously having an investment in notes, drafts or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds or other investment securities."

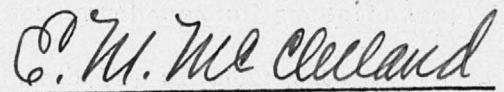
Mr. Cunningham's motion, being put by the Chair, was carried, the members stating that they voted in favor of it with the understanding that it does not commit them on the merits of the suggested amendment, but merely permits the preparation of a form of amendment to be submitted to the Board later.

Mr. Cunningham stated that he introduced the above motion in order that the amendment suggested may be recommended to Congress if it is concurred in later by the Board.

The meeting adjourned at 12:50 p.m.

Approved:


Governor.


Assistant Secretary.