

A meeting of the Federal Reserve Board was held in the Office of the Federal Reserve Board on Monday, February 4, 1929, at 11:10 a. m.

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

The minutes of the meeting of the Federal Reserve Board held on February 2nd were read and approved.

Telegram dated January 30th from the Chairman of the Federal Reserve Bank of Boston, and letter dated January 31st from the Secretary of the Federal Reserve Bank of New York, advising that their boards of directors at meetings on the dates stated, made no changes in the banks' existing schedules of rates of discount and purchase.

Noted.

Letter dated January 29th, from the Assistant Federal Reserve Agent at New York, advising of the conviction of William F. Sutter, formerly Chief Teller of the St. George, Staten Island, branch of the Corn Exchange Bank of New York, for defrauding the bank of \$28,000 by forging the names of five depositors; the Assistant Federal Reserve Agent stating that no report of examination of the Corn Exchange Bank has been received since the time the arrest was made in November 1928, and the Federal Reserve Bank has no official information with regard to the charges, in view of which fact, inquiry is made as to whether the case should be reported to the United States District Attorney.

After discussion, it was voted to suggest to the Assistant Federal Reserve Agent that the matter be reported to the proper authorities in the usual manner.

Letter dated January 28th from the President of the Rhode Island Hospital Trust Company, Providence, Rhode Island, replying to the Board's letter of January 24th, with respect to the new branch being maintained in Woonsocket on the site formerly occupied by the National Globe Bank and Mechanics Savings Bank, which were taken over; the letter stating that plans are under way for a new building on the site of their existing branch in Woonsocket, and that when building is definitely begun, the old branch will be moved to the site of the former National Globe and Mechanics Savings Bank, remaining there until the new building is finished, when the entire business will be moved into the new building. In his letter, the President of the bank stated that there is no desire to have two branches in Woonsocket, that the arrangement, at present, is entirely temporary, and that the permit secured from the State Banking Commissioner is a temporary one, based upon the program outlined above.

After discussion, it was voted to advise the Rhode Island Hospital Trust Company that the Board has no authority to approve its present arrangement at Woonsocket, but in view of the statements made in the above letter and the reported attitude of the State Banking Department, the Board is not disposed to take any legal steps and will let the matter rest for a reasonable time.

Report of Committee on Examinations on an application of the Fayette Bank and Trust Company, Connersville, Indiana, for the surrender of 82 shares of stock in the Federal Reserve Bank of Chicago, in connection with a reduction in the capital of the bank from \$400,000 to \$250,000; the Board's Committee recommending approval of the application.

Approved.

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Memorandum from Counsel dated January 29th, on letter dated January 23rd from the Assistant Federal Reserve Agent at Minneapolis, inquiring whether it will be necessary to secure an application for the Board's approval of a proposal of the Ihlen State Bank, Ihlen, Minnesota, to move to Jasper, Minnesota, a town about five miles south of Ihlen; Counsel stating that the member bank is subject to the general condition of membership, and submitting draft of a letter to the Federal Reserve Agent at Minneapolis requesting information as to whether the proposed change of location will involve or result in a change in the general character of the bank's assets or a broadening in its functions, such as will tend to affect materially the standard required of it at the time of its admission to membership in the System.

After discussion, it was voted to advise the Federal Reserve Agent at Minneapolis that if the banking authorities of the State of Minnesota approve the proposed change of location of the member bank, the Board will interpose no objection thereto.

Memorandum from Counsel dated January 29th, advising that in accordance with the action of the Board, at its meeting on January 28th, he communicated with Hon. Newton D. Baker regarding steps which should be taken by the Board before finally acting upon the organization papers of the International American Banking Corporation, proposed to be organized under Section 25 (a) of the Federal Reserve Act; Counsel stating that it will be impossible for Mr. Baker to consult with the Board until after his return from a trip to Hawaii about March 7th, and that Mr. Baker suggested, therefore, that if possible, the matter be held in abeyance until his return. Counsel stated that Mr. Baker further suggested that, if the organizers of the

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proposed corporation demand that the Board take some action on their application, they be advised that the whole question of the Board's power in the premises is involved in a mandamus proceeding now pending in the courts, and that the Board believes it to be to the best interests of all parties concerned not to take any action on the application until the extent of the Board's powers has been determined in the case now pending.

Upon motion, it was voted to hold the above matter in abeyance in accordance with Mr. Baker's suggestion.

Memoranda dated January 29th, from Counsel, submitting copies of bills introduced by Senator Glass - (1) To amend Section 19 of the Federal Reserve Act so as to change from 3% to 5%, the amount of reserve to be maintained against time deposits, and (2) To provide for an additional dividend for member banks of not to exceed 2% of the paid in capital stock of the Federal Reserve Bank to be paid out of earnings for any year subsequent to 1928.

The Governor stated that he has discussed these bills with the Board's Counsel and has requested him to prepare for submission to the Board, drafts of letters pointing out the objections to their passage.

Mr. Platt stated that he would prepare and submit to the Board drafts of letters recommending adoption of some legislation along the lines of the bills above referred to.

The Governor then submitted a letter dated February 2nd, from the Governor of the Federal Reserve Bank of Boston, setting forth conditions in the First Federal Reserve District, in view of which he will recommend to his board of directors at a special meeting this week that the discount rate of the bank be increased to 6 per cent; the substance of the situation being that member banks in the First Federal Reserve District, while owing the

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Federal Reserve Bank approximately \$80,000,000, are simultaneously making speculative loans to their customers.

A detailed discussion ensued, during which it was the consensus of opinion that no action should be taken toward an increase in the discount rate of the Boston Bank until the directors have considered and replied to the Board's letter of February 2nd with respect to the improper use of the credit facilities of the Federal Reserve Banks by member banks.

It was voted that draft of a letter to Governor Harding along the lines of the discussion be prepared and submitted to the Board at a meeting this afternoon.

At 1:10 p. m. the meeting recessed and reconvened at 2:50 p. m., the same members being present as attended the morning session.

The Governor reported a telephone conversation with Governor Harding, during which he acknowledged receipt of his letter of February 2nd, and Governor Harding stated that his bank has received the Board's letter of the same date. He advised Governor Harding, he stated, that the Board would like to receive a reply to its letter before acting upon any proposed increase in rate and that Governor Harding had stated that, if there was any question of a rate proposal being held in abeyance by the Board, he thought it would be better not to call a special meeting of his directors for the purpose of considering the matter.

Mr. Miller then submitted draft of a letter to Governor Harding, prepared along the lines of the discussion at the morning session, which, upon motion, was approved as follows:

"Your letter of February 2nd has been received and was read to the Board this morning. Your description of banking conditions in New England, particularly the large volume of your loans and advances to member banks, at a season of the year when business is inactive and liquidation ordinarily occurs, and your further statement that your member banks' borrowings are occasioned by collateral loans made by them, were all listened to by the

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REPORTS OF STANDING COMMITTEES: (Continued)

Dated, February 2nd, Recommending approval of the application of Mr. Carl W. Fenninger, for permission to serve at the same time as director of the Madera National Bank, Madera, Pa., and as director of the Commonwealth Title Insurance Company, Philadelphia, Pa.

Approved.

Dated, February 2nd, Recommending approval of the application of Mr. Louis Haas, for permission to serve at the same time as director and officer of the Lefcourt-Normandie National Bank, New York, N. Y., and as director of the Chelsea Exchange Bank, New York, N. Y.

Approved.

The meeting adjourned at 4:10 p. m.

C. M. McClelland

Assistant Secretary

Approved:

Raymond

Governor