

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, February 19, 1929 at 12:00 o'clock noon.

PRESENT: Vice Governor Platt  
 Mr. Hamlin  
 Mr. Cunningham  
 Mr. Eddy, Secretary  
 Mr. McClelland, Asst. Secretary

The Secretary reported that since the last meeting of the Board letters have been received, dated February 13th from the Deputy Chairman of the Federal Reserve Bank of Philadelphia, dated February 13th from the Deputy Chairman of the Federal Reserve Bank of Boston, dated February 14th from the Chairman of the Federal Reserve Bank of Kansas City, dated February 16th from the Chairman of the Federal Reserve Bank of Richmond and dated February 18th from the Secretary of the Federal Reserve Bank of Minneapolis, replying to the Board's letter of February 2nd on the subject of the improper use of the credit facilities of the Federal Reserve banks by member banks, all of which have been placed in circulation.

Matter approved on initials on February 18th, namely, application of the First National Bank, Soldiers Grove, Wis., for original stock (19 shares) in the Federal Reserve Bank of Chicago, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Letter dated February 15th from the Secretary of the Federal Reserve Bank of Cleveland, advising of the establishment on that date, of the following schedule of rates for purchases of acceptances:

Bankers Acceptances:		
1 to 45 days	-	5%
46 to 90 days	-	5 1/8%

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91 to 180 days	-	5 1/4%
Repurchase	-	5%
Trade Acceptances	-	5 1/4%

Without objection, noted with approval.

Telegram dated February 16th from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment, effective that date, of the following schedule of rates for purchases of bankers acceptances:

1 to 45 days	-	5 1/8%
46 to 90 days	-	5 1/4%
91 to 180 days	-	5 3/8%

Without objection, noted with approval.

Telegram dated February 16th from the Secretary of the Federal Reserve Bank of Minneapolis, advising of the establishment on that date of the following schedule of rates for purchases of acceptances:

Bankers acceptances:		
1 to 45 days	-	5%
46 to 90 days	-	5 1/8%
91 to 120 days	-	5 1/4%
Repurchase	-	5%
Trade acceptances	-	5 1/4%

Without objection, noted with approval.

Letter dated February 15th from the Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment, effective on that date, of the following schedule of rates for purchases of bankers acceptances:

1 to 45 days	-	5%
46 to 90 days	-	5 1/8%
91 to 180 days	-	5 1/4%

Without objection, noted with approval.

Memorandum dated February 19th from the Chief of the Division of Bank

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Operations, recommending the appointment of Miss Frances Crump as stenographer and clerk in the Division, at an annual salary of \$1400.

Approved.

Letter dated February 15th from Miss Nannette L. Milliken, clerk in the Secretary's office, tendering her resignation, effective March 21, 1929.

Accepted.

Letters dated February 15th from the Comptroller of the Currency, recommending approval of salaries of \$4,000 and \$3,000 per annum, respectively, for National Bank Examiners Alphonsus J. Mulronev and Russell E. Mooney, assigned to the Seventh and Eighth Federal Reserve Districts.

Approved.

Memorandum dated February 15th from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Tremont, Illinois, for permission to reduce its capital from \$70,000 to \$60,000.

Approved.

Report of Committee on Salaries and Expenditures on letter dated February 14th from the Governor of the Federal Reserve Bank of Boston, requesting approval of the action of the board of directors of that bank in voting to appropriate \$500 as a contribution to a fund being raised by the National Association of Credit Men for the investigation of commercial frauds; the Board's Committee recommending approval.

Approved.

Report of Committee on Examinations on letter dated February 14th from the Assistant Federal Reserve Agent at Philadelphia, transmitting and recommending approval of an application of the Bank of Auburn, Auburn, Pa., for permis-

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sion to hold 10 shares of stock in the National City Bank of New York, inadvertently acquired without prior approval by the Board, in accordance with the condition under which the bank was admitted to membership in the System; the Board's Committee also recommending approval.

Approved.

Letter dated February 14th from the Assistant Deputy Governor of the Federal Reserve Bank of New York, transmitting copy of a letter addressed to the Governors of all other Federal Reserve banks, concerning participation in the bank of issue credit to the National Bank of Roumania, which became effective on February 7, 1929 and runs for one year from that date.

Ordered circulated.

Letter dated February 13th from the Chairman of the Federal Reserve Bank of Dallas, advising of an amendment to Article II, Section 1 of the By-laws of that bank, changing the dates of meetings of the Executive Committee of the Bank from the second and fourth Thursday of each month to the 17th and 27th of each month.

Noted, with approval.

The Secretary then presented for the record the following recommendations and actions of the Federal Advisory Council, in addition to that considered by the Board at the meeting on February 15th, which were submitted to the Board during the joint meeting with the Council on February 15th:

"TOPIC NO. 1.

Is an acceptance credit based on the retail sale of automobiles in foreign countries on installment notes, a proper acceptance credit?

RECOMMENDATION:

This would be inconsistent with facilities accorded to similar

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"business in this country and the Council therefore answers the query of the Board in the negative.

TOPIC NO. 2.

What procedure could be adopted by the banks of the United States to discourage and possibly eliminate the practice of corporations, foreign banks and others of 'window dressing' at the end of the year, which results in a concentration of borrowing in the New York market at that time?

RECOMMENDATION:

The Federal Advisory Council knows of no possible way of preventing the practice of so-called 'window dressing' to which the Federal Reserve Board refers. It may be well to point out that in many states the system of taxation is such as to provide an incentive for depositors to convert cash into non-taxable investments at the close of the year.

The Council believes every other effort should be made to correct the present situation in the speculative markets before resorting to an advance in rates."

Noted.

Letter dated February 18th from the Foreign Trade Securities Company, Ltd., New York City, requesting a further extension for a period of thirty days of the Board's approval and reservation of the title "Foreign Banking and Investment Corporation" for the corporation which it is proposed to organize under Section 25 (a) of the Federal Reserve Act.

Upon motion, it was voted to grant an extension of thirty days from February 25th.

Memorandum from Counsel dated February 18th, approved by the Law Committee, on the matter referred to Counsel at the meeting of the Board on January 15th, namely, letter dated January 11th from the Chairman of the First Federal Foreign Banking Corporation, requesting a ruling that the Corporation's bills arising from installment resales of American automobiles in foreign countries are a satisfactory basis for acceptance credits that banks in New York City are will-

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ing to extend to the Corporation; Counsel submitting draft of a proposed letter to the Corporation, prepared in accordance with views expressed by the Chairman of the General Acceptance Committee and by the Federal Advisory Council, disapproving the use of bankers acceptances in refinancing advances made to retail dealers in foreign countries against installment paper taken by such dealers in the retail distribution of American goods abroad.

Upon motion, the ruling set forth in the proposed letter was adopted and the letter was ordered transmitted.

Memorandum from Counsel dated February 12th on the matter referred to him at the meeting on February 8th, namely, advice that the New York State Banking Department has authorized the Equitable Trust Company of New York, a member bank, to establish an additional branch office in the city of Paris, France; Counsel stating that, in his opinion, the member bank may not after February 25, 1927, the date of the enactment of the so-called McFadden Act, lawfully establish a branch in a foreign country and continue to be a member of the Federal Reserve System.

Upon motion, it was voted to instruct Counsel to prepare a letter to the Equitable Trust Company along the lines of his opinion, calling attention, however, to the recommendation which the Board has made for an amendment to the law which would expressly authorize the establishment of foreign branches by state member banks.

Report of Committee on Salaries and Expenditures on schedules submitted by the Federal Reserve Bank of New York, covering adjustments in salaries of employees at the head office and Buffalo Branch during 1928; the Committee (1) reporting that all adjustments at the head office were made in accordance with the plan for standardization of salaries previously approved by the Board and

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should be approved as submitted; (2) stating that the employees of the Buffalo Branch have never been grouped and graded in accordance with the plan approved by the Board and, therefore, their salaries should have been approved the same as salaries for other Federal Reserve banks and branches, and that the attention of the New York bank should be called to this fact; (3) recommending, however, that the adjustments made at the Buffalo Branch during 1928 be approved by the Board, including those in the salaries of three employees receiving in excess of \$2500 per annum.

Upon motion, the recommendations of the Committee were adopted and the salary adjustments made at the Federal Reserve Bank of New York and its Buffalo Branch during the year 1928 were approved.

Memorandum from Counsel dated February 18th, with reference to applications for cancellation of stock in the Federal Reserve Bank of Chicago standing in the names of the First Trust and Savings Bank and the Union Trust Company, both of Chicago, Illinois; Counsel stating that the two institutions consolidated under the provisions of a statute of Illinois, which provides that the corporate existence of the consolidated banks is terminated and that he is accordingly of the opinion that the applications for cancellation of Federal Reserve bank stock may properly be approved by the Board.

Upon motion, it was voted to approve cancellation of 9,000 shares of stock in the Federal Reserve Bank of Chicago, standing in the name of the First Trust and Savings Bank and 6,000 shares standing in the name of the Union Trust Company.

The Secretary then submitted application of the Peoples Trust Company of Little Rock, Arkansas, for membership in the Federal Reserve System and for 240 shares of stock in the Federal Reserve Bank of St. Louis, together with a

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recommendation of the Committee on Examinations that the application be approved subject to the usual conditions of membership set out in Regulation H, Series of 1928, and the further condition that the bank shall agree to reduce the amount of its slow assets and past due paper and make every effort to keep same at a minimum. A discussion ensued during which it was pointed out that the bank under its articles of incorporation has authority to engage in several unusual lines of business.

Following the discussion, upon motion, it was voted to approve the application subject to the conditions of membership recommended by the Committee, and with the understanding that the following additional paragraph will be included in the letter to the bank advising of the Board's action:

"The Board wishes to direct your attention to the fact that under condition No. 1 above no change in the general character of your business or in the scope of the corporate powers now exercised, may be made except with the permission of the Board. The Board understands that you are authorized under the provisions of your articles of incorporation to execute bonds as surety for individuals or corporations in court or for any other purpose; to buy and sell real estate; to guarantee the title to real estate and to do a brokerage business. The Federal Reserve Board will consider the exercise of any of these powers which are not now being exercised by you as among the changes referred to in this condition of membership. The Board does not intend by this to indicate that it will in no event permit you to exercise any such powers, but wishes it to be understood that in case you should desire in the future to exercise any of them it is required that you first ask and obtain the permission of the Board. In order that the Board's records may be complete, it is requested that you advise the Board whether any of the above mentioned powers are now being exercised by you, and, if so, which of such powers."

Discussion then ensued with respect to a possible letter, to be addressed to the Chairmen of the Boards of Directors of all Federal Reserve banks on the subject of securing the cooperation of member banks, in line with the



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suggestion made by the Federal Advisory Council at its recent meeting, in the efforts being made by the Federal Reserve banks to prevent the improper use of the credit facilities of the Federal Reserve System by member banks.

At 1:00 p.m. the meeting recessed and reconvened at 3:30 p.m., Mr. Miller also being present.

Discussion was resumed as to the form which the proposed letter to all Federal Reserve banks, referred to above, should take. Several forms of letter were suggested by the members of the Committee, no one of which was entirely satisfactory. It was understood that the matter would be given further consideration at a later meeting of the Board.

REPORTS OF STANDING COMMITTEES:

- Dated, February 16th, 18th, 19th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, February 16th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendation approved.
- Dated, February 14th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date. Recommendation approved.
- Dated, February 16th, Recommending approval of the application of Mr. George W. Spence for permission to serve at the same time as director of the Midwood Trust Company, Brooklyn, N. Y. and as officer and director of the Peoples National Bank, Brooklyn, N. Y. Approved.
- Dated, February 16th, Recommending approval of the application of Mr. D. M. Williams for permission to serve at the same time as officer and director of the First National Bank and Trust Company, Port Chester, N. Y. and as director of the Byram National Bank, East Port Chester, Conn. Approved.

The meeting adjourned at 4:45 p.m.

Approved:

*Edmund Platt*

Vice Governor.

*Ken R. [Signature]*  
Secretary.