

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, February 25, 1929 at 11:30 a.m.

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

The reading of the minutes of the last several meetings of the Board was dispensed with.

The Governor reported a telephone conversation with the Governor of the Federal Reserve Bank of Boston, who stated he is addressing a letter to the Board questioning the eligibility of member bank 15-day notes secured by government obligations as collateral for Federal Reserve notes. He also stated that Governor Harding has in mind an increase in rate on 15-day collateral notes secured by government obligations, maintaining a 5% rate on eligible paper, and requests that the Board give consideration to the matter.

The Governor then stated that some time ago a group of about forty state bankers in Minnesota held a meeting and conceived the idea of a state bank of Minnesota modeled along the lines of the Federal Reserve Bank. He stated that a later meeting of about ninety bankers and a number of state legislators endorsed the idea. The bank, he stated, would have a capital of about \$15,000,000 on the basis of a 3% capital subscription and would have reserve requirements of 7% on time deposits and 10% on demand deposits, which latter feature the Governor suggested might result in a considerable demand for national charters by good state institutions in Minnesota.

The Governor then presented a letter, dated February 21st, from the

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Governor of the Federal Reserve Bank of Dallas, advising that the Texas legislature has just passed a law which would authorize depository banks to include bankers acceptances of institutions having a capital of \$500,000 or more in the pledge of collateral to secure public deposits, which should broaden the demand for bankers acceptances in Texas.

The Governor stated that the Federal Reserve bank would probably be called upon to act as custodian of bills pledged by member banks, but that he could see no objection to their so acting.

The Governor then reported that Mr. Heath, Federal Reserve Agent at Chicago and Mr. Powell, General Counsel of the bank, are in Washington consulting with the Board's Counsel regarding the proposed consolidation of the Illinois Merchants Trust Company and the Continental National Bank and Trust Company of Chicago, which it is expected will take place between March 16th and 18th under a State charter and, therefore, involves an application for membership in the System.

After discussion, the Executive Committee of the Board was authorized to act in the matter on behalf of the Board in the event that a quorum of the Board is not immediately available when the application comes up for action.

The Governor then brought up for consideration the question of the Board's reply to S. R. 323 and again submitted the draft, prepared by Mr. Miller, which was discussed at the meeting of the Board on February 14th. Mr. Platt submitted, and the Board discussed, a substitute for the last several pages of the proposed letter.

Following the discussion, it was understood that Mr. Miller would revise his draft of the proposed letter and submit same to the Board at the meeting tomorrow.

The Governor then presented a memorandum, dated February 25th, from the Director of the Division of Research and Statistics, submitting page proof of

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the Board's Annual Report for the year 1928 with the suggestion that if it is returned to the printer today press copies could be received on Wednesday and distributed to the newspapers for publication Saturday morning March 2nd, the report being submitted to Congress on Friday, March 1st.

Dr. Goldenweiser entered the room and certain minor changes in the page proof were suggested.

Upon motion, the report was then approved for submission to Congress on March 1st, and for release to the press on February 27th for publication in the morning papers of March 2nd.

The Secretary then submitted application of the First National Bank of Kingsville, Texas, for permission to exercise general fiduciary powers, together with a divided report thereon by the Law Committee; Mr. Hamlin recommending approval and Mr. Platt expressing the opinion that the institution is too small to receive fiduciary powers, having a capital of \$50,000, surplus of \$10,000 and deposits of only \$100,000.

After discussion, upon motion, the application was approved, Mr. Platt voting "no".

Letter dated February 15th from the Secretary of the Federal Reserve Bank of New York, confirming rates for purchases of acceptances established on that date and quoting the resolution adopted by the board of directors at its meeting on February 14th with respect to the discount rate of the bank, as follows:

"VOTED, subject to review and determination of the Federal Reserve Board, to establish a rate of six per cent. for all rediscounts and advances, effective from the opening of business on February 15, 1929 and until further notice and superseding the existing rate but with the understanding that this action of the board of directors of this bank is predicated upon approval or disapproval by the Fed-

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"eral Reserve Board today because in the present circumstances the directors believe it would be unwise to hold the matter in abeyance."

Noted.

Telegram dated February 20th from the Chairman of the Federal Reserve Bank of Dallas, advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 30 days	-	4 1/2%
31 to 60 days	-	4 3/4%
61 to 90 days	-	5%
91 to 180 days	-	5 1/4%
Repurchase	-	5%

Without objection, noted with approval.

Telegram dated February 19th from the Chairman of the Federal Reserve Bank of San Francisco, advising of approval by the Executive Committee of the bank of the following schedule of rates for purchases of bankers acceptances, made effective on February 15th:

1 to 45 days	-	5%
46 to 180 days	-	5 1/8%
Repurchase	-	5%

Without objection, noted with approval.

Letter dated February 21st from the Secretary of the Federal Reserve Bank of New York, telegram dated February 20th from the Assistant Federal Reserve Agent at Philadelphia and telegram dated February 21st from the Chairman of the Federal Reserve Bank of Chicago, all 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.

Without objection, noted with approval.

Telegram dated February 21st from the Chairman of the Federal Reserve

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Bank of San Francisco, advising that no meeting of the board of directors was held on that date due to lack of a quorum and, consequently, no change was made in the bank's existing schedule of rates of discount and purchase.

Noted.

Report of Executive Committee on letter dated February 13th from the Chairman of the Federal Reserve Bank of Richmond, transmitting list of employees for whom the directors of that bank authorized leaves of absence with pay, on account of illness, during the month of January in excess of thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

The Governor then presented letter dated February 21st from the Chairman of the Federal Reserve Bank of New York, replying to the Board's letter of February 2nd, to the boards of directors of all Federal Reserve banks, on the subject of the improper use of the credit facilities of the Federal Reserve System.

After certain passages of the above letter had been brought to the attention of the Board, the letter was ordered circulated.

Letter dated February 13th from the Chairman of the Federal Reserve Bank of Dallas, transmitting memorandum of action taken by the board of directors of that bank with respect to the advisability of issuing a general letter to member banks in the Eleventh District, calling attention to the press statement issued by the Board on February 7th and the substance of the special letter of February 2nd from the Board to the Chairman of the bank; the letter requesting an expression by the Board regarding the matter.

After discussion, upon motion, Mr. Miller was requested to prepare and submit to the Board draft of

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a reply to the above letter.

Letter dated February 16th addressed to the Secretary by Professor Louis H. Whitehead of the College of Business Administration, Syracuse University, inquiring "whether or not a Federal Reserve bank may refuse to rediscount for a member bank if that member bank maintains a large volume of loans to brokers against the wishes of Federal Reserve authorities".

After discussion, the Secretary was directed in replying to the above letter to transmit a copy of the Board's recent public statement.

Memorandum from Counsel dated February 12th, with reference to the Clayton Act application of Mr. J. E. Buckingham, involving the Ashland National Bank, Ashland, Ky., the Paintsville National Bank of Paintsville, Ky., and the First National Bank of Jenkins, Ky.; Counsel stating that Mr. Buckingham is also serving as officer and director of the First National Bank of Fleming, Ky., which also comes within the prohibitions of the Clayton Act and that the Board has no authority to grant a permit authorizing him to continue to serve all four of the National banks.

The Secretary presented a suggestion by the Law Committee that the Board advise Mr. Buckingham that it will be necessary for him to sever his connection as officer and director of one of the banks, but suggest that he might serve as member of an advisory committee of one of the banks and receive authority from the Board to serve as officer and director of the other three.

Upon motion, it was voted to approve the Committee's suggestion, Mr. Cunningham voting "no".

Letter dated February 21st from the Governor of the Federal Reserve Bank of Dallas, advising that during interruption of membership of the Mercantile Bank and Trust Company of Texas, Dallas, successor to the Mercantile

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National Bank, the institution qualified as a nonmember clearing bank, and since the Federal Reserve bank could not make advances to it on bills payable or rediscounts, government securities were purchased from it under resale agreement in order to meet its needs during the period.

Noted, without objection.

REPORTS OF STANDING COMMITTEES:

- Dated, February 23rd, 25th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, February 19th, Recommending approval of the application of Mr. Neil Sims, for permission to serve at the same time as officer of the First National Bank, Ft. Smith, Ark., and as director of the Hartshorne National Bank, Hartshorne, Okla.  
Approved.
- Dated, February 19th, Recommending approval of the application of Mr. William T. McCaffrey, for permission to serve at the same time as officer and director of the Union Trust Company, Rochester, N. Y., and as director of the Lyons National Bank, Lyons, N. Y.  
Approved.
- Dated, February 19th, Recommending approval of the application of Mr. Harry L. Machen, for permission to serve at the same time as officer of the Anglo & London Paris National Bank, San Francisco, Cal., as director of the First National Bank in Oakland, Cal., and as director of the First National Bank, Hanford, Cal.  
Approved.
- Dated, February 19th, Recommending approval of the application of Mr. R. V. Ankeny, for permission to serve at the same time as director of The Bank for Savings in Seattle, Wash., and as director of The Seattle National Bank of Seattle, Wash.  
Approved.
- Dated, February 19th, Recommending approval of the application of Mr. H. C. MacDonald for permission to serve at the same time as director of The Bank for Savings in Seattle, Wash., and as director of The Seattle National Bank, Seattle, Wash.  
Approved.
- Dated, February 19th, Recommending approval of the application of Mr. J. H. Newberger for permission to serve at the same time as director of The Bank for Savings in Seattle, Wash.,

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REPORTS OF STANDING COMMITTEES:(Cont'd)

and as director of The Seattle National Bank, Seattle, Wash.

Approved.

Dated, February 19th, Recommending approval of the application of Mr. P. B. Truax for permission to serve at the same time as director of The Bank for Savings in Seattle, Wash., and as director of The Seattle National Bank of Seattle, Wash.

Approved.

Dated, February 19th, Recommending approval of the application of Mr. J. W. Spangler for permission to serve at the same time as director of The Bank for Savings in Seattle, Wash., and as director of The Seattle National Bank, Seattle, Wash.

Approved.

Dated, February 19th, Recommending approval of the application of Mr. John W. Eddy for permission to serve at the same time as director of the Bank for Savings in Seattle, Wash., and as director of The Seattle National Bank, Seattle, Wash.

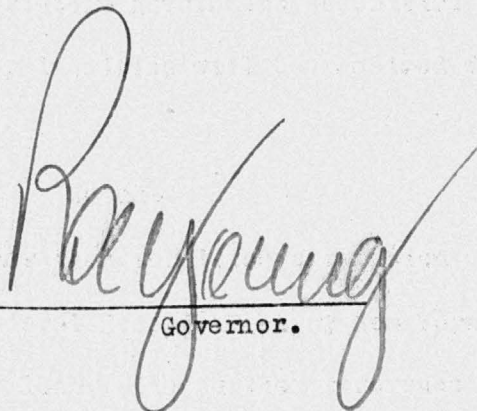
Approved.

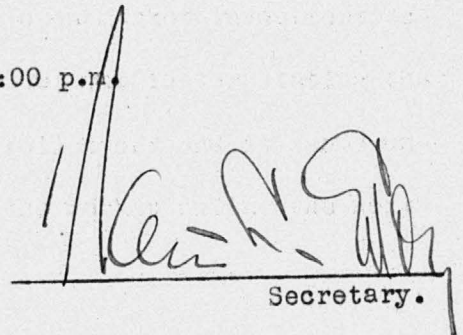
Dated, February 20th, Recommending approval of the application of Mr. Thomas F. Mount for permission to serve at the same time as director of The National Bank of Olney in Philadelphia, Pa., as director of the Mt. Airy National Bank and Trust Company in Philadelphia, Pa., and as director of the City National Bank & Trust Company, Philadelphia, Pa.

Approved.

The meeting adjourned at 1:00 p.m.

Approved:

  
Governor.

  
Secretary.