

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, March 1, 1929 at 11:30 a.m.

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

The Governor reported a telephone conversation yesterday with Mr. Eugene Meyer, Federal Farm Loan Commissioner, who advised him that \$6,000,000 of Federal Intermediate Credit Bank debentures sold to the Federal Reserve Bank of Dallas are payable on March 15th, and that he would like to make arrangements for a renewal of the purchase agreement. The Governor stated that he talked over the telephone regarding the matter with Governor Talley of the Dallas bank, who advised that in the present situation the Dallas bank does not wish to renew the arrangement. Governor Talley also advised him, he stated, that the action of the Board at its meeting on February 8th in laying on the table the action of the board of directors of the Dallas bank in voting to establish a rediscount rate of 5% on all classes of paper of all maturities, is inconveniencing the bank in dealing with the situation there, which is aggravated by the wide spread between the bank's discount rate and its rate for purchases of acceptances. The Governor stated that Mr. James has been in Dallas and is familiar with the situation.

Mr. James then moved that in view of conditions in the Eleventh Federal Reserve District, particularly the spread between the discount rate and buying rates of the Dallas bank, the Board approve the action of the directors of the Federal Reserve Bank of Dallas in voting to establish a rediscount rate of 5% on all classes of paper of all maturities, effective tomorrow, March 2nd.

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After discussion, Mr. James' motion was put by the Chair and unanimously carried.

The Governor also reported to the Board a conversation this morning with Mr. Dabney Day of the Citizens National Bank of Los Angeles, with reference to the protest of the Los Angeles Clearing House Association against the erection of a building to house the Los Angeles Branch on the site now owned.

Mr. James, who visited San Francisco on his trip, expressed the opinion that the matter should be left in the hands of the board of directors of the Federal Reserve Bank of San Francisco.

The minutes of the meeting of the Federal Reserve Board held on February 27th were read and approved.

The Governor stated that the consolidation of the National Bank of Commerce and the Guaranty Trust Company of New York City, referred to in the above minutes, is to be effected under the charter of the Guaranty Trust Company.

Application of the St. Charles National Bank, St. Charles, Ill. for permission to exercise general fiduciary powers; together with a report thereon by the Law Committee that it is unwilling to recommend approval. The Governor stated that he has gone over the report, approval of which is recommended by the Executive Committee of the Federal Reserve Bank of Chicago and concurs in that recommendation for the reason that the difficulties in the bank appear to be due to former management and the Examiner reports that the present management is capable and supported by a strong board of directors.

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

Application of the First National Bank of Elizabethton, Elizabethton, Tenn., for permission to exercise general fiduciary powers, together with a

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report thereon by the Law Committee that it is not willing to approve the application. The Secretary stated that the matter was referred to the Comptroller of the Currency and presented a memorandum from him, recommending that the application be held until after receipt of the report of the next examination in order to ascertain what progress has been made in eliminating criticisms set out by the Examiner in the last report.

After discussion, upon motion, it was voted to defer action on the above application.

The Assistant Secretary reported that in accordance with authority granted at the meeting on February 27th, Mr. J. A. Bennett has been employed as telegraph operator in the Washington leased wire office, with salary at the rate of \$1,980 per annum, effective March 4th.

Noted, with approval.

Telegram dated February 27th from the Chairman of the Federal Reserve Bank of Boston, letter dated February 28th from the Secretary of the Federal Reserve Bank of New York and telegram dated February 28th from the Chairman of the Federal Reserve Bank of Kansas City, 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.

Letter dated February 27th from the Assistant Federal Reserve Agent at New York, advising of the proposed merger, effective April 1st, of the Commercial Trust Company of New Jersey, a member bank, and the Mercantile Trust Company, a nonmember bank, both of Jersey City, N. J.

Noted.



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Letter dated February 27th from Mr. Ormsby McHarg, of New York City, counsel for the plaintiffs in the so-called Apfel (Foreign Financing Corporation) case, making inquiry as to the action of the Board in permitting the use of the word "banking" in the title of the "First Federal Foreign Banking Corporation", formerly the "First Federal Foreign Investment Trust".

Referred to Counsel for the preparation of a reply.

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of Chicago of employees for whom the directors of that bank have approved leaves of absence with pay, on account of illness, during the period January 25th to February 20th, where the total of such absences since January 1, 1929 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Memorandum from Counsel dated February 27th, submitting draft of reply to letter dated February 19th from the Assistant Federal Reserve Agent at Philadelphia, inquiring whether the Union National Bank, Lewisburg, Pa., which has received permission from the Board to exercise full trust powers, may act as Treasurer of a school district; the proposed reply holding that National banks in Pennsylvania may not act as Treasurers of school districts under the provisions of Section 11 (k) of the Federal Reserve Act.

Upon motion, the proposed letter was approved.

The Governor then reported that under the authority granted him at the meeting on February 27th, on that date he approved an application of the

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Manufacturers Trust Company, New York, N. Y., for permission to accept drafts drawn upon it by banks and bankers in the countries heretofore designated by the Board, for the purpose of furnishing dollar exchange, and he stated that approval was given upon receipt of a favorable recommendation from the Federal Reserve Bank of New York.

Upon motion, the action of the Governor was ratified.

Letter dated February 25th from the Governor of the Federal Reserve Bank of Boston, to which reference was made by Governor Young at the meeting on February 25th, with respect to the eligibility of member bank fifteen-day notes secured by government obligations as collateral for Federal Reserve notes.

Ordered circulated.

Matter approved on initials yesterday, namely, application on behalf of the Midland Bank, Cleveland, Ohio for membership in the Federal Reserve System and for 3600 shares of stock in the Federal Reserve Bank of Cleveland, effective if and when it is authorized by the State authorities to commence business, subject to the regular conditions of membership set out in Regulation H, Series of 1928, and with the understanding that it will have a paid-in capital and surplus of \$6,000,000 when opened for business and that its board of directors will ratify the application for membership and acceptance of conditions.

Formally approved.

Matter approved on initials yesterday, namely, application of the Integrity Trust Company, Philadelphia, Pa., for membership in the Federal

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Reserve System and for 4200 shares of stock in the Federal Reserve Bank of Philadelphia, subject to the regular conditions of membership set out in Regulation H, Series of 1928 and effective upon consolidation with the West Philadelphia Title and Trust Company.

Formally approved.

Draft of letter for the signature of the Secretary of the Treasury, addressed to the Chairman of the Committee on Banking and Currency of the United States Senate on S. 5723: (1) to amend Section 7 of the Federal Reserve Act so as to provide for an additional 6% dividend to member banks when earned and for the distribution of remaining earnings and (2) to amend Section 18 of the Federal Reserve Act so as to provide for the retirement of National Bank notes on July 1, 1930 and permit the issuance by the Secretary of the Treasury of bonds against which the Federal Reserve banks could issue Federal Reserve bank notes.

Ordered circulated.

The Governor then submitted a pamphlet entitled "Instructions for Verification of Financial Statements", prepared by a committee of the American Institute of Accountants as a revision of the pamphlet "Approved Methods for the Preparation of Balance Sheet Statements" which appeared in the April 1917 issue of the Federal Reserve Bulletin and was distributed by the Board in pamphlet form until 1928 when it was discontinued as obsolete. He stated that the Committee of Accountants has requested that this pamphlet be distributed by the Board, after an announcement regarding it in the Federal Reserve Bulletin.

After discussion, upon motion, it was voted to approve distribution of the pamphlet, after insertion in the Bulletin of a statement along the following lines:



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"In the April 1917 issue of the Federal Reserve Bulletin, the Federal Reserve Board announced that it was prepared to distribute to the general public at a cost of ten cents, a pamphlet entitled 'Approved Methods for the Preparation of Balance Sheet Statements'. The demand for this information on the part of the public, has been evidenced by the fact that the Board distributed approximately 65,000 copies of the pamphlet.

The 1917 edition of the pamphlet was prepared by a Committee of Experts, but since that time many changes have been found necessary and new procedure has been developed with the result that a revised edition, entitled 'Instructions for Verification of Financial Statements' has been furnished to the Board by a special committee of the American Institute of Accountants, which was appointed to deal with this and certain other matters.

While the Board does not care to set itself up as an authority on accounting and auditing procedure, it is so impressed with the revised edition and with the desirability, from the standpoint of the general credit structure of the country, of having good procedure followed, that it is prepared to distribute the revised edition to the public practically at cost, or at ten cents per copy."

Memorandum from Counsel dated February 26th on letter dated February 15th from the Federal Reserve Agent at Chicago, recommending that the Board take appropriate action to require the State Bank of Ellsworth, Ellsworth, Iowa, to surrender its stock in the Federal Reserve Bank of Chicago and to forfeit all rights and privileges of membership in the System; Counsel advising that the Federal Reserve Agent states he is unwilling to recommend that proceedings be based upon the reserve record of the member bank, but apparently feels that membership should be forfeited on the ground that its capital has been impaired or on the ground that it has violated the general condition of membership imposed upon it. In his memorandum, Counsel stated (1) that if the Board should desire to forfeit membership because of impairment of capital, this may be done only after notice given to the bank to make good such impairment and the

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failure of the bank to do so within three months thereafter, and (2) that the question whether the bank has violated the general condition of membership is one of fact for the Board to determine, that it is unlikely that the Board's right would be questioned in the courts, and that if the matter should be taken to court the Board's determination of fact would probably be accepted as conclusive, although the court might go into the facts itself with the possibility that it would hold the Board to be without the necessary authority to forfeit the bank's membership on the grounds stated.

Mr. Hamlin, Chairman of the Law Committee, expressed himself in favor of the serving of a notice of assessment on the stockholders of the bank, but Mr. Platt suggested that some other method should be found.

A discussion ensued, during which the Governor expressed the opinion that the necessary proceedings should be based upon the condition of the bank which, in his opinion, constitutes a violation of the so-called general condition of membership.

At the conclusion of the discussion, the matter was referred to the Governor with power.

The Governor then presented letter dated February 9th from the Assistant Federal Reserve Agent at Minneapolis, requesting permission to make credit investigations of the Iron Exchange Bank, Hurley, Wis., The Security Bank and Trust Company, Red Wing, Minn., The Daly Bank and Trust Company, Anaconda, Mont., and the Miners Savings Bank and Trust Company, Butte, Mont. without levying the costs against the banks investigated; the letter stating that tentative arrangements were made with the Banking Commissioners to join with them in their examinations of the member banks, prior to receipt of the Board's letter of January 26, 1929 (X-6223) on the subject of Examination of State Member Banks.



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In this connection, the Governor submitted a memorandum from Mr. Herson, the Board's Chief Examiner, stating it is quite obvious that the work done by Examiners for the Federal Reserve banks in cooperation with State Authorities does not contemplate a complete examination of a state member bank as it does not include, among other things, reconciliation of the various bank accounts or verification of cash and securities, all of which is handled by the representatives of the State Supervisor; Mr. Herson stating that in the circumstances it appears desirable to permit the Reserve banks to limit the charges to be assessed against a state member bank for this type of investigation to an amount which will represent the salary cost of the Examiners while actually engaged in the work.

Discussion ensued, during which it was brought out that the bill recommended by the Board which would make charges for examinations discretionary with the Board, has passed the Senate and has been favorably reported by the House Committee on Banking and Currency, although it may not be possible to secure its adoption by the House during the remaining day or so of the present Congress.

After discussion, upon motion by Mr. James, it was voted that the following telegram be addressed to the Assistant Federal Reserve Agent at Minneapolis:

"Your letter February 9th re credit investigation of four state member banks Board will interpose no objection to your proceeding as outlined, because of tentative arrangements made with Bank Commissioners prior to receipt of Board's letter X-6223."

After further discussion, upon motion, action on Mr. Herson's memorandum was deferred until it is determined whether or not the bill recommended by the Board will become law at this session of Congress.

Mr. Platt then announced that word was just received in his office of

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the passage of the bill recommended by the Board to exempt Joint Stock Land Banks from the provisions of the Clayton Act.

Letter dated February 27th from the Assistant Federal Reserve Agent at St. Louis, reporting that the First National Bank in Mt. Sterling, Ill., had an average deficiency in reserves continuously during twelve semi-monthly periods between July 15, 1928 and January 15, 1929; the Assistant Agent recommending, however, after consultation with the Chief National Bank Examiner of the district, that action by the Board be deferred until after the next examination of the bank.

Noted, without action.

The Governor then referred to the discussion at the meeting of the Board held on February 19th, as to the advisability of addressing a letter to the Federal Reserve banks on the subject of cooperation with their member banks along the lines of the recommendation made by the Federal Advisory Council at its meeting with the Board on February 15th.

In view of reports which have been received by the Board of action being taken by the Federal Reserve banks since receipt of the Board's letter of February 2nd, it was the consensus of opinion that the letter referred to by the Governor should not be transmitted. It was felt, however, that it would be desirable some time later to address a letter to the Federal Reserve banks inquiring as to the results of action which has been taken since receipt of the Board's letter of February 2nd.

The Governor then brought up the matter on which action was deferred at the meeting of the Board on February 8th, namely, application for membership in the Federal Reserve System and for 7800 shares of stock in the Federal Reserve Bank of Cleveland by the Peoples Savings and Trust Company, Pittsburgh, Pa., which was accompanied by a request that the usual condition of mem-

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ship regarding the acquisition of stock in other banks be waived by the Board. The Governor presented a memorandum from Counsel, prepared in accordance with a request made at the meeting on February 8th, stating that while the question is a doubtful one he is of the opinion that the Board has the legal authority to impose the condition of membership in question.

Mr. Cunningham then moved that the application of the Peoples Savings and Trust Company of Pittsburgh for membership in the System and for 7800 shares of stock in the Federal Reserve Bank of Cleveland be approved subject to the regular conditions of membership contained in the Board's Regulation H, Series of 1928.

Mr. Platt moved, as a substitute for Mr. Cunningham's motion, that the application be approved subject to the regular conditions of membership, but that the following paragraph be inserted in the Board's letter of advice to the applicant bank:

"Condition No. 3 above (referred to in Mr. Robinson's letter of January 25th to Mr. DeCamp) is not to be interpreted as an effort to prohibit the purchase of stock in another bank, even to the extent of acquiring control in all circumstances. The Board considers each request on its merits, and in case of a request for further purchases by your bank would doubtless take into account the fact that your bank has carried out this policy successfully for a number of years, to the apparent advantage, as Mr. DeCamp informs us, of the outlying banks, whose stock you hold, as well as to the advantage of your own bank. The Board does not believe that Mr. Robinson is warranted in his belief that the requirement of permission before purchasing stock would necessarily operate to prevent the acquisition of any further banks or bank stock."

Mr. Platt's substitute motion, being put by the Chair, was lost, Messrs. Young and Platt voting "aye".

Mr. Cunningham's original motion was then put by the Chair and carried, Mr. Platt voting "no".

Mr. Platt stated that he voted "no", because in his opinion to permit this bank to become a member with-



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out giving the bank any information as to the attitude of the Board on the question specifically asked by its president was treating the bank unfairly.

REPORTS OF STANDING COMMITTEES:

- Dated, February 27th, 28th,      Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.  
 Recommendations approved.
- Dated, February 28th,      March 1st,      Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
 Recommendation approved.
- Dated, February 27th,      Recommending approval of the application of Mr. John B. Strauch for permission to serve at the same time as director of the First National Bank in St. Louis, Mo., and as director of the St. Louis Union Trust Company, St. Louis, Mo.  
 Approved.
- Dated, February 28th,      Recommending approval of the application of Mr. R. S. Powell for permission to serve at the same time as director of the National Exchange Bank, Milwaukee, Wis., as director and officer of the First National Bank, Appleton, Wis., and as director and officer of the First National Bank, Niagara, Wis.  
 Approved.
- Dated, February 28th,      Recommending approval of the application of Mr. John M. Davis for permission to serve at the same time as director and officer of the Exchange National Bank, Little Rock, Ark., as director and officer of the Southwest Joint Stock Land Bank, Little Rock, Ark., and as director of the Little Rock Branch of the Federal Reserve Bank of St. Louis, Mo.  
 Approved.
- Dated, February 28th,      Recommending approval of the application of Mr. Moorhead Wright for permission to serve at the same time as director of the Union Trust Company, Little Rock, Ark., as officer and director of the Southwest Joint Stock Land Bank, Little Rock, Ark., and as director of the Little Rock Branch of the Federal Reserve Bank of St. Louis, Mo.  
 Approved.
- Dated, February 28th,      Recommending approval of the application of Mr. Frank E. Gorman for permission to serve at the same time as officer and director of the Capital National Bank, Lansing, Mich., and as director of the Fidelity Trust Company, Detroit, Mich.  
 Approved.

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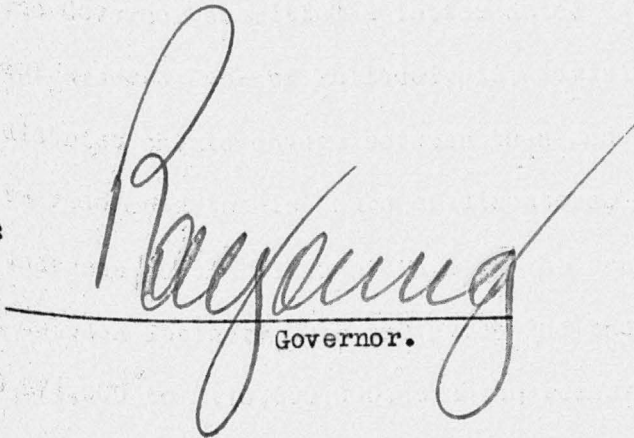
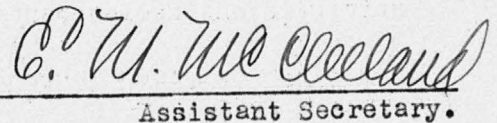
REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, February 28th, Recommending approval of the application of Mr. F. W. Niemeyer for permission to serve at the same time as director of the Bankers Trust Company, Little Rock, Ark., and as director of the Southwest Joint Stock Land Bank, Little Rock, Ark.

Approved.

The meeting adjourned at 1:00 p.m.

Approved:

  
Governor.  
Assistant Secretary.