

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

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

The minutes of the meetings of the Federal Reserve Board held on March 1st, 5th and 7th were read and approved.

The Governor presented a letter dated March 8th from the Assistant Deputy Governor of the Federal Reserve Bank of New York, with reference to advice received from the Reichsbank that an additional \$8,526,417.44 of United States gold bars would be shipped to the Federal Reserve bank the following day and that if the strong demand for dollars continues in their market they may ask the Federal Reserve bank to make an advance against this consignment; the letter also stating that all Federal Reserve banks, except San Francisco, accepted participation in the advance made against the previous shipment.

Noted.

The Governor then submitted the matter which was referred to him with power at the meeting of the Board on March 1st, namely, memorandum from Counsel dated February 26th, with regard to recommendation of the Federal Reserve Agent at Chicago that steps be taken by the Board to institute proceedings against the State Bank of Ellsworth, Ellsworth, Iowa, under Section 9 of the Federal Reserve Act for cancellation of its stock in the Federal Reserve Bank of Chicago, and forfeiture of all rights and privileges of membership in the Federal Reserve System. He presented draft of letter to the State Bank of Ellsworth,

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Ellsworth, Iowa citing it to appear before the Board to show cause why its membership should not be forfeited due to its failure to comply with the provisions of the condition of membership imposed upon it at the time of admission to the System "That except with the approval of the Federal Reserve Board there shall be no change in the general character of your assets or broadening in the functions now exercised by you such as will tend to affect materially the standard now maintained and required as a condition of membership". In the letter, it was pointed out that the State Bank of Ellsworth has permitted large amounts of undesirable assets to accumulate with estimated losses sufficient to impair its capital to a large extent. The letter also stated that in the event the bank should desire to waive its right to appear before the Board, it may through its duly appointed representative or representatives appear before the Federal Reserve Agent at Chicago on a date to be fixed by him to present such evidence as it may care to have transmitted to the Federal Reserve Board for its consideration.

After discussion, upon motion, April 11, 1929 was fixed as the date for the Board's hearing in the above case and the proposed letter to the State Bank of Ellsworth and one to the Federal Reserve Agent at Chicago were approved.

Matter approved on initials on March 9th, namely, application of the Sterling National Bank and Trust Company, New York, N. Y. for original stock (1,800 shares) in the Federal Reserve Bank of New York, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Letter dated March 7th from the Secretary of the Federal Reserve Bank of

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New York, telegram dated March 8th from the Secretary of the Federal Reserve Bank of Cleveland, telegram dated March 8th from the Secretary of the Federal Reserve Bank of Atlanta, telegram dated March 8th from the Chairman of the Federal Reserve Bank of Dallas and telegram dated March 7th from the Chairman of the Federal Reserve Bank of San Francisco, 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.

Report of Executive Committee on letter dated March 9th from the Comptroller of the Currency, recommending approval of a salary of \$3,000 per annum for National Bank Examiner Walter N. Male, assigned to the Tenth Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Richmond and Dallas, of employees for whom the directors of those banks approved leaves of absence with pay, on account of illness during the month of February, 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.

Letter dated March 8th from the Secretary of the Federal Reserve Bank of Atlanta, advising of the election of Mr. J. B. Ramsey, President of the Holston-Union National Bank of Knoxville, Tenn., as a director of the Nashville Branch for the term ending December 31, 1931.

Noted.

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Letter dated March 7th from the Federal Reserve Agent at Richmond, requesting approval of an amendment to the by-laws of the Charlotte Branch changing the meeting date of the Branch Directors from the second Thursday to the third Tuesday of each month.

Approved.

Letter dated March 5th from the Deputy Governor of the Federal Reserve Bank of New York, with reference to the status of the open market investment account of the System on that date; the letter also confirming advice given to the Governor over the telephone regarding government securities maturing March 15th which are held for account of foreign correspondents and the inability of the System to offer replacements out of its own portfolio.

The above letter, having been circulated among the members of the Board, was noted.

The Assistant Secretary then reported that under the authority granted it on February 25th the Executive Committee on March 8th approved an application by the Illinois Merchants Trust Company, Chicago, Ill., on behalf of the Continental Illinois Bank and Trust Company of Chicago, for membership in the Federal Reserve System and for 84,000 shares of stock in the Federal Reserve Bank of Chicago, effective if and when the Continental Illinois Bank and Trust Company is authorized by the state authorities to commence business; said approval having been given subject to the regular conditions of membership set out in Regulation H, Series of 1928, and to the following additional conditions:

- "1. That the Continental Illinois Bank and Trust Company, Chicago, Illinois, shall at the first meeting of its board of directors ratify the action taken in its behalf by the Illinois Merchants Trust Company, Chicago, Illinois, in applying for stock in the Federal Reserve Bank of Chicago and in accepting the conditions of membership imposed by the Federal Reserve Board, and the

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board of directors of such bank shall pass a resolution accepting such conditions of membership.

2. That at the time you are authorized to commence business your proposed capital of \$75,000,000- and surplus of \$65,000,000- shall be fully paid in."

Upon motion, the action of the Executive Committee was ratified.

Memorandum from Counsel dated March 6th, submitting draft of a letter to the Federal Reserve Agent at Chicago, with reference to an advertisement by the Ogden National Bank of Chicago, that it is a "government" and a "Federal Reserve" bank; the letter pointing out the statement contained in the Board's circular letter of February 28, 1923 (X-3649) with reference to advertisements of national or state member banks, and requesting the Federal Reserve Agent to advise the Ogden National Bank of the Board's position and to request it on behalf of the Board to discontinue the use of the advertisement in question.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated February 27th, with reference to the Clayton Act applications of Mr. Herbert P. Howell and Mr. S. Sloan Colt, involving the Commercial National Bank and Trust Company, New York City, and other banks, which were unfavorably recommended by the Federal Reserve Agent at New York and on which action by the Board has been deferred; Counsel pointing out that Mr. Howell is not now serving the Bankers Trust Company of New York, the other bank listed in his application, and it is, therefore, not necessary for the Board to take any action on the application. He stated, however, that according to advice received from the Federal Reserve Agent, Mr. Colt is serving the Commercial National Bank and Trust Company and the Farmers Loan and Trust Company, both of New York City, in addition to the Tuxedo National Bank, Tuxedo, N. Y., and it will, therefore, be

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necessary for the Board to determine whether or not it will grant his application.

After discussion, upon recommendation by the Law Committee, it was voted to temporarily refuse Mr. Colt's application and to afford him an opportunity to present additional evidence in support of his application before final disapproval.

The Assistant Secretary then presented memorandum from Counsel dated December 19th, with reference to the action of the Board on December 4, 1928 in voting that at an appropriate time it should recommend to Congress the enactment of an amendment to the Federal Reserve Act which would authorize the Board in its discretion to waive the requirement of six months' notice from state member banks voluntarily withdrawing from the Federal Reserve System.

After discussion, upon verbal recommendation by the Law Committee, it was voted that appropriate letters, requesting introduction of the necessary bills to amend Section 9, be transmitted to the Banking and Currency Committee of the Senate and House of Representatives, as soon as they are organized when the special session of Congress convenes on April 15th.

Telegram dated March 8th from the Federal Reserve Agent at San Francisco, requesting permission under the Board's letter of January 26, 1929 (X-6223) on the subject "Examination of Member Banks", to participate in a state examination of the American Trust Company, San Francisco, the latter part of this week, to the extent of furnishing one Examiner to secure credit information with which to supplement the State's report, without assessing costs against the bank; the Agent advising that the arrangements for the proposed examination do not contemplate simultaneous entry of head office and branches.

Mr. James moved that in view of the provision of the Board's letter (X-6223) reserving the right to

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recognize certain unusual situations in which it would be advisable to authorize credit investigations, the Board grant permission to the Federal Reserve Agent at San Francisco to send one Examiner into the American Trust Company of San Francisco for information that is desired by the Federal Reserve bank to supplement that which will be reported by the state authorities.

Discussion ensued during which Governor Young expressed the opinion that the granting of such permission would be contrary to the provisions of the Board's letter (X-6223) stating that the Board can not waive the cost of an investigation contemplating anything covered in the following language which appears in Section 21 of the Federal Reserve Act - "Such examinations shall be so conducted as to inform the Federal Reserve Bank of the condition of its member banks and of the lines of credit which are being extended by them."

Mr. Miller called attention to the fact that the proposed examination does not contemplate simultaneous entry of head office and branches. He stated that the Board has never rescinded its action, reported to the Federal Reserve banks under date of March 9, 1923 (X-3660) in adopting the principle "that hereafter all examinations of member state banks and trust companies shall be conducted simultaneously, both as to the parent bank and each branch."

A detailed discussion ensued, during which certain members of the Board expressed a desire to review past action of the Board on the subject of simultaneous examinations and by unanimous consent, action on Mr. James' motion was deferred until the meeting of the Board tomorrow.

REPORTS OF STANDING COMMITTEES:

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| Dated, March 1st, | Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. |
| 8th, | Recommendations approved. |
| Dated, March 9th, | Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date. |
| 8th, | Recommendation approved. |

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, March 9th, Recommending approval of the application of Mr. C. D. Martin for permission to serve at the same time as director of the Spokane and Eastern Trust Company, Spokane, Wash., and as officer and director of the Security National Bank, Cheney, Wash.

Approved.

Dated, March 9th, Recommending approval of the application of Mr. Benjamin W. Guernsey for permission to serve at the same time as director of the Wellesley National Bank, Wellesley, Mass., as director of the Boulevard Trust Company, Brookline, Mass., and as director of the Newton Trust Company, Newton, Mass.

Approved.

The meeting adjourned at 1:15 p.m.

C. W. McClelland
Assistant Secretary.

Approved:

Ray Young
Governor.