

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

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

After discussion, upon motion, it was voted that hereafter regular meetings of the Board should be held on Tuesday, Wednesday and Thursday of each week at 11:00 a.m., with the understanding that special meetings may be called at other times in accordance with the by-laws of the Board.

The minutes of the meeting of the Federal Reserve Board held on March 11th were then read and approved.

The Secretary presented application of The First National Bank of Dundee, Ill. for permission to exercise general fiduciary powers, together with a divided report thereon by the Law Committee; Mr. Hamlin recommending approval but Mr. Platt stating that he is unwilling to approve because of the small size of the bank, although it appears to be a well managed institution.

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

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Cleveland, Atlanta and San Francisco, 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.

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Memorandum from Counsel dated March 11th submitting draft of letter to the Federal Reserve Agent at New York, advising that in the opinion of the Board a member of the firm of Shearson, Hammill and Company is not to be considered a private banker within the meaning of the Clayton Act.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated March 12th with further reference to the subject of his memorandum of January 30th, on which action was deferred at the meeting of the Board on that date, with regard to the holding of a conference of counsel of the Federal Reserve banks for the purpose of considering a memorandum prepared by Counsel for the Federal Reserve Bank of Minneapolis, on the subject of the policy to be pursued by that bank in asserting rights on behalf of depositors of unremitted for transit items against receivers of insolvent member banks; Counsel's present memorandum stating that the matter has been referred to counsel for the various banks, all of whom concur in his suggestion that a conference should be held for the purpose of considering the question, in view of recent court decisions. In his memorandum, Counsel also set forth a suggestion by the Governor that the conference of counsel be held at the same time as the spring conference of Governors in order that the recommendations of the counsel may be considered immediately by the Governors while counsel are still available for consultation. He recommended -

- (1) That a conference of Counsel of all Federal reserve banks be held in Washington commencing on Monday, April 1st, to consider certain recent court decisions and to recommend to the Governors' Conference a uniform policy to be pursued by all Federal reserve banks in asserting rights on behalf of depositors of unremitted for transit items against receivers of insolvent member banks;

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(2) That the following topic be placed on the program for the forthcoming Governors' Conference - "Policy to be Pursued by Federal Reserve Banks in Asserting Rights on Behalf of Depositors of Unremitted for Transit Items against Receivers of Insolvent Member banks"; and

(3) That, in view of the fact that Honorable Newton D. Baker has heretofore been retained by the Governors' Conference to review the check collection practices of the Federal reserve banks and recommend such changes therein as he may deem advisable, an invitation be extended to him to attend the conference of Counsel.

Upon motion, Counsel's recommendations were approved.

The Secretary then submitted the matter which was ordered circulated at the meeting on March 1st, namely, draft of letter for the signature of the Secretary of the Treasury to the Chairman of the Committee on Banking and Currency of the Senate, with regard to S. 5723 which would amend Section 7 and 18 of the Federal Reserve Act.

A discussion ensued, during which it was brought out that various members of the Board were in disagreement with particular portions of the proposed letter.

The Governor suggested, in view of the fact that no action on S. 5723 was taken at the last session of Congress, nor will any action be taken unless the Bill is reintroduced, that he be permitted to take the matter up with the Undersecretary of the Treasury informally, inasmuch as any letter written would be expressive of the position of the Secretary of the Treasury rather than the Board.

Upon motion, the matter was referred to the Governor with power.

The Governor stated that special order of business for this meeting is the following motion made by Mr. James yesterday, regarding the 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) to participate in a state exam-

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ination of the American Trust Company of 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 the cost against the member bank:

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

The Governor, as a substitute for Mr. James' motion, submitted the following proposed telegram to the Federal Reserve Agent at San Francisco:

"Your wire March 8th re American Trust Company of San Francisco. If it is your intention to rely on state examiner's report of condition of bank and lines of credit extended by it and use one examiner only to obtain additional information necessary to your bank, Board is willing to waive assessment of cost. If, however, your examiner independently is to secure specific information mentioned in Section 21 of Federal Reserve Act and quoted in instruction 3 on page 2 of Board's letter X-6223, your bank will be compelled to make a charge commensurate with work performed by your examiner, basis of which will be communicated to you later."

A discussion ensued during which, at the suggestion of Mr. James, the telegram submitted by the Governor was amended to read as follows:

"Your wire March 8th re American Trust Company of San Francisco. If it is your intention to rely on state examiner's report of condition of bank and lines of credit extended by it and use one examiner only to obtain additional information necessary to your bank, Board is willing to waive assessment of cost."

Mr. Miller referred to the fact that the proposed state examination does not contemplate simultaneous entry and he raised a point of order

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as to whether approval of the request of the Federal Reserve Agent at San Francisco would not be in violation of the principle laid down in the Board's letter of March 9, 1923 (X-3660) "that hereafter all examinations of member state banks and trust companies shall be conducted simultaneously, both as to the parent bank and each branch".

The Chair ruled in the negative, following which Mr. Miller appealed the ruling.

After further discussion, it was moved that the decision of the Chair, that approval of the request of the Federal Reserve Agent would not be in violation of the ruling contained in the Board's letter of March 9, 1923, should be sustained.

The motion, being put by the Chair, was lost on a tie, the members voting as follows:

Governor Young, "aye"  
 Mr. Platt, "aye"  
 Mr. James, "aye"  
 Mr. Hamlin, "no"  
 Mr. Miller, "no"  
 Mr. Cunningham, "no"

Mr. Hamlin stated that he could vote in favor of the proposed telegram to the Federal Reserve Agent at San Francisco, as amended, only with the understanding that the action in no way waives the right of the Board to insist upon simultaneous entry should the member bank be examined by Federal Reserve authorities.

During the discussion which ensued, the telegram was further amended so as to read as follows:

"Your wire March 8th re American Trust Company of San Francisco. Without committing itself to approval of an examination that does not contemplate simultaneous entry, Board will interpose no objection to your using one examiner only to obtain information necessary to your bank without assessment of cost."

Upon motion, the above telegram was approved.

REPORTS OF STANDING COMMITTEES:

Dated, March 11th, Recommending changes in stock at Federal Reserve banks as  
 12th, set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, March 11th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 1:15 p.m.

*C. W. McCalland*

Assistant Secretary.

Approved:

*R. C. Young*

Governor.