

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 14, 1929 at 11:00 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on March 13th were read and approved as amended.

Telegram dated March 13th from the Chairman of the Federal Reserve Bank of Boston, advising that the board of directors at its meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated March 11th from the Director of the Division of Research and Statistics, recommending the appointment of Mr. Frank R. Garfield as member of the staff of the Division for one year, beginning June 17, 1929, with salary at the rate of \$3,200 per annum; the appointment being made to fill the vacancy created by the resignation of Mr. Woodlief Thomas.

Approved.

Letter dated March 12th from the President of the Rhode Island Hospital Trust Company, Providence, R. I., replying to the letter addressed to him in accordance with the action of the Board at its meeting on February 4th, with reference to the temporary operation of an additional branch in Woonsocket on the site formerly occupied by the National Globe Bank and Mechanics Savings Bank; the letter stating that it has been voted to move the old branch to the

3/14/29

-2-

site of the former Globe National Bank and a contract has been let for the erection of a new building on the old site, which upon completion will house the entire force of the combined branches.

Noted.

Memorandum from Counsel dated March 12th, submitting draft of letter to the Federal Reserve Agent at Chicago, with reference to distribution by a firm in Des Moines, Iowa, of a form of chattel mortgage which bears the notation "known as Federal Reserve chattel mortgage"; the letter requesting him to advise the firm of the Board's position regarding the use of the words "Federal Reserve" in this connection, as set out in a letter addressed to all Federal Reserve Agents on March 19, 1921 (X-3075), and also suggesting that the attention of the firm be called to the fact that the advertising or offering for sale of a mortgage executed on the form it is printing might possibly constitute a violation of the provisions of the Act of May 24, 1926.

Upon motion, the letter submitted
by Counsel was approved.

Report of Committee on Salaries and Expenditures, submitting and recommending approval of a letter to the Chairmen of all Federal Reserve banks, with regard to the activities of the Board's Committee on Classification of Personnel at Federal Reserve banks, and calling a meeting of the full committee to be held at the Federal Reserve Bank of Chicago on April 8, 1929.

Upon motion, the letter was approved
and ordered transmitted.

The Assistant Secretary then presented an application for the surrender of stock in the Federal Reserve Bank of Chicago standing in the name of the Illinois Merchants Trust Company, Chicago, Ill. with the recommendation that

3/14/29

-3-

the application be approved, effective if and when the consolidation of the Illinois Merchants Trust Company into the Continental Illinois Bank and Trust Company becomes effective. The Assistant Secretary called attention to the fact that the application gives the number of shares held by the member bank as 13,500, whereas it actually holds 27,000 shares.

After discussion, it was voted to authorize cancellation of 27,000 shares of stock in the Federal Reserve Bank of Chicago, standing in the name of the Illinois Merchants Trust Company, effective upon the consolidation of that bank into the Continental Illinois Bank and Trust Company.

The Assistant Secretary then referred to the proposed reduction in capital of the Continental National Bank and Trust Company from \$35,000,000 to \$1,500,000, which has been approved by the Board incident to the absorption of the assets of that bank into the Continental Illinois Bank and Trust Company, and the necessity for surrender of an appropriate amount of stock in the Federal Reserve Bank of Chicago.

After discussion, it was voted to authorize the cancellation of the appropriate amount of stock in the Federal Reserve Bank of Chicago upon filing with the Federal Reserve Agent of a proper application for surrender of such stock by the Continental National Bank and Trust Company, based upon a reduction in capital to \$1,500,000 and such reduction in surplus as the bank may make.

The Governor then submitted draft of a letter prepared by Counsel, addressed to the Chairman of the Banking and Currency Committee of the Senate, for the signature of the Secretary of the Treasury, with regard to S. 5572, a bill to amend Section 19 of the Federal Reserve Act so as to increase from three to five percent the amount of reserves required to be maintained by member banks against

3/14/29

-4-

time deposits; the letter, in effect, expressing the opinion that no legislation with regard to member bank reserves should be enacted until a complete revision of Section 19 can be worked out. The Assistant Secretary also submitted a revision of the proposed letter recommended by the Law Committee which was read to the Board.

After discussion, during which certain minor changes were suggested in the letter submitted by the Law Committee, it was referred to the Governor with power.

Draft of letter prepared by Counsel, addressed to the Chairman of the Committee on Banking and Currency of the Senate, for the signature of the Secretary of the Treasury, with regard to S. 5571, a bill to amend Section 7 of the Federal Reserve Act, regarding the distribution of earnings of Federal Reserve banks, so as to provide that after the payment to stockholding member banks of the 6% dividend now provided for, an additional dividend not to exceed 2% on paid-in capital stock may be paid out of the net earnings for the year; the proposed reply pointing out reasons because of which the Treasury Department and the Federal Reserve Board believe that the bill should not be enacted into law.

Mr. Platt stated that, in his opinion, there is no objection to the passage of the bill in question.

After discussion, Mr. Platt was requested to draft a proposed letter along the lines of his position for consideration by the Board, along with that prepared by Counsel.

Discussion then ensued with regard to the form of letter to the Governor of the Federal Reserve Bank of Chicago, dictated by the Governor at the meeting yesterday, following the discussion of the advisability of a

3/14/29

-5-

committee of the Board conferring with the directors of the Federal Reserve Bank of Chicago regarding the credit situation in that District and the unsatisfactory results which have been obtained in dealing with it. Mr. Cunningham suggested that before endeavoring to arrange a conference with the directors of any Federal Reserve bank, whose efforts in dealing with the present credit situation are not deemed to be satisfactory by the Board on the basis of information in its possession, a further letter should be addressed to the directors of the bank inquiring as to what action has been taken, whether the results obtained are considered satisfactory by them, whether they feel that they have exhausted all reasonable methods of dealing with the situation and, if not, what further steps they propose to take in dealing with it. He further suggested that such inquiries at this time should probably be directed only to the Federal Reserve Banks of Chicago and San Francisco.

Following the discussion, Mr. Cunningham moved that the Committees on Districts #7 and #12 prepare tentative forms of letters to the Federal Reserve Banks of Chicago and San Francisco, to be submitted to the Board for approval, making inquiries along the lines of the Board's discussion of the subject of speculative security credit in the letter to all Federal Reserve banks under date of February 2nd.

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

Mr. Platt stated that he voted "no" because, in his opinion, the proposed action would have no beneficial results and he feels that the Board should now approve increases in rates for those Federal Reserve banks which are inclined to take such action in dealing with the situation.

Governor Young stated that as he is willing to have the majority of the Board to take whatever action

3/14/29

-6-

they desire, he voted "aye" on the motion by Mr. Cunningham, without committing himself regarding the letters to be prepared until they are submitted to the Board for consideration.

Memorandum from Counsel dated March 13th, approved by the Law Committee, submitting draft of letter to Mr. Ormsby McHarg, counsel for the plaintiff in the Apfel (Foreign Financing Corporation) case, replying to inquiries received from him with regard to the use of the word "banking" in the title of the First Federal Foreign Banking Corporation, formerly known as the First Federal Foreign Investment Trust, and with regard to the Board's action in permitting the First Federal Foreign Banking Association, which was organized in 1920 and liquidated in 1925, to make a limited issue of debentures; Counsel stating that in view of the possible bearing of these inquiries upon the Apfel case, the proposed reply was prepared after conference with Honorable Newton D. Baker, who was employed by the Board in that case.

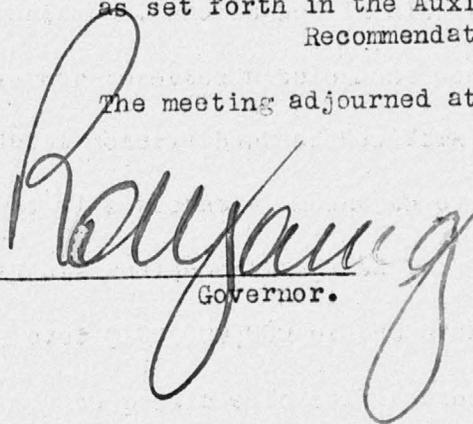
After discussion, upon motion, the proposed reply was approved.

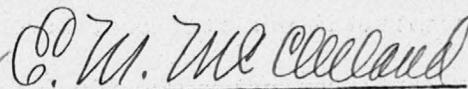
REPORTS OF STANDING COMMITTEES:

Dated, March 13th, 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 1:00 p.m.

Approved:


Governor.


Assistant Secretary.