A meeting of the Federal Reserve Board was held in the office of the
Federal Reserve Board on Tuesday, March 19, 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
18th were read and approved.

Report of Executive Committee on memorandum dated March 12th from the
Comptroller of the Currency, recommending approval of an application of the
Pittsburg National Bank, Pittsburg, Texas, for permission to reduce its cap-
ital stock from $100,000 to $50,000 on condition that the amount of the reduc-
tion be used to remove $50,000 of certain criticized assets listed in his mem-
orandum, which should be trusteed for the benefit of shareholders, and that
$1,766.57 of criticized assets remaining be charged off the books of the bank;
the Board's Committee also recommending approval.

Approved, subject to the conditions recom-
mended by the Comptroller.

Letter dated March 18th from the Assistant Federal Reserve Agent at
New York, advising that a meeting of the stockholders of the Bank of the United
States, New York City, has been called for the purpose of acting upon the pro-
posed absorption of the Colonial Bank, New York City, and the Bank of the Rock-
aways, Far Rockaway, New York City, both nonmember banks.

Noted.

Memorandum from Counsel dated March 15th, submitting letter from the
President of the Trust Company of North America, Baltimore, Md., formerly known as the "United States Trust Company of Maryland", advising of approval by the state authorities of the change in the title of the corporation which eliminates the words "United States", in accordance with the Act of May 24, 1926.

Noted.

Joint report of Committees on Research and Statistics and Salaries and Expenditures, dated March 12th, submitting budgets requested by the various Federal Reserve Agents for the operation of their statistical and analytical functions during the year 1929, totaling $473,519, as follows:

<table>
<thead>
<tr>
<th>City</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>$42,845</td>
</tr>
<tr>
<td>New York</td>
<td>$124,804</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>$45,035</td>
</tr>
<tr>
<td>Cleveland</td>
<td>$37,243</td>
</tr>
<tr>
<td>Richmond</td>
<td>$15,581</td>
</tr>
<tr>
<td>Atlanta</td>
<td>$11,470</td>
</tr>
<tr>
<td>Chicago</td>
<td>$62,630</td>
</tr>
<tr>
<td>St. Louis</td>
<td>$16,696</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>$17,850</td>
</tr>
<tr>
<td>Kansas City</td>
<td>$22,072</td>
</tr>
<tr>
<td>Dallas</td>
<td>$19,522</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$55,571</td>
</tr>
</tbody>
</table>

Messrs. Miller and Platt recommended approval of the budgets, as submitted, but Mr. James reported that he is not inclined to approve, and Mr. Cunningham merely "noted" the report.

After discussion, upon motion by Mr. Hemlin, it was voted to approve the budgets as submitted, Mr. James voting "no".

Mr. James stated that he did not vote "no" because of the proposed increase over the budget for 1928 of about $17,500, but rather because of his feeling that the expense as a whole is too great in comparison to the value of the function.

Mr. Cunningham stated that he voted "aye" under protest, as he feels somewhat the same as Mr. James does re-
regarding the matter. He stated that he would request Mr. Smead to furnish him with a schedule of expenditures for statistical and analytical work during the past five years, together with an analysis thereof, on the basis of which he may later bring the general question of statistical and analytical work before the Board for consideration.

Letter dated March 12th from the Deputy Governor of the Federal Reserve Bank of New York, advising that with the continuance of firm money and a very weak government security market no further sales have been made from the open market investment account since his letter to the Board of March 5th; the letter also stating that the replacement for foreign correspondents of their $36,000,000 of Treasury certificates maturing March 15th was to be accomplished partly by acquiring bills and partly by contracting for June and September certificates in the market, while a further part was to be disbursed to the market.

Noted.

Discussion then ensued with respect to the suggestion that a communication be addressed to the Federal Reserve Bank of San Francisco, regarding the apparently unsatisfactory cooperation which that bank seems to be receiving from its member banks in dealing with the present credit situation.

Mr. James moved that no action be taken at the present time.

Mr. Miller stated that in going over the rediscounts of member banks in San Francisco over a period of some months, it appears that there have been several banks simultaneously borrowing from the Federal Reserve bank in considerable amount and lending to brokers. This situation, he stated, has shown no substantial improvement since the Board's letter of February 2nd.

He, therefore, moved as a substitute for Mr. James' motion, that a letter be addressed to the Federal Reserve
Bank of San Francisco, calling their attention to
the situation as it appears to the Board, and ask-
ing certain questions which will develop their own
view in the premises.

Mr. Miller's substitute motion, being put
by the Chair, was carried, Messrs. Young and Platt
voting "no".

Mr. Miller then again read to the Board and requested comments on the draft
of a letter to the Federal Reserve Bank of San Francisco, submitted by him at
the meeting on March 15th.

After discussion, during which certain sug-
gestions for changes in the letter were made, Mr.
Miller stated that he would revise it accordingly
and resubmit it to the Board.

Mr. Miller then referred to the memorandum from Counsel dated March 7th,
prepared in accordance with the action of the Board at the meeting on March
5th on the subject of the power of the Board to enforce the principles regard-
ing the proper use of the credit facilities of the Federal Reserve System laid
down in its letter to all Federal Reserve banks under date of February 2, 1929.

He moved that the following letter be addressed
to the Governors of all Federal Reserve Banks:

"There is enclosed herewith copy of an opinion by the
Board's General Counsel on the subject 'Power of Board to
enforce principles regarding proper use of credit facilities
of Federal Reserve System laid down in Board's letter of Febru-
ary 2, 1929.'

The Board desires a discussion at the forthcoming confer-
ence of Governors on the question of the most suitable form of
regulation for giving effect to items (1) and (2) on the second
and third pages of Counsel's opinion, reading as follows:

'(1) Under Section 13 of the Federal Reserve Act, the Board
has ample power to prescribe such restrictions, limitations
and regulations governing the rediscount of notes, drafts, bills
of exchange and bankers' acceptances, the making of advances to
member banks on their promissory notes, and the purchase of bills
of exchange, bankers' acceptances and government, State, and
municipal securities (including purchases under so-called repurchase agreements), as may be necessary to prevent member banks from using the credit resources of the Federal Reserve System for the purpose of making or maintaining speculative security loans.

(2) Thus, the Board could, if it deems it advisable, prescribe a regulation forbidding any Federal reserve bank to rediscount any paper for, make any loan or advance to, or purchase any bills of exchange, bankers' acceptances, or government, State, or municipal securities (under repurchase agreements or otherwise) from, any member bank which at the time: (1) Has loans outstanding to brokers or dealers in stocks, bonds or other investment securities; or (2) has unreasonably large amounts of speculative loans outstanding to customers secured by stocks, bonds, or other investment securities, or the proceeds of which have been or are to be used for the purpose of carrying or trading in stocks, bonds, or other investment securities.'

The Board would also value an expression of opinion from each Governor as to the form of regulation with respect to items (1) and (2) that in his judgment and the judgment of his board of directors would be most suitable and effective in the circumstances of his particular bank and district.'

After discussion, by unanimous consent, action on Mr. Miller's motion was deferred until a later meeting of the Board.

REPORTS OF STANDING COMMITTEES:

Dated, March 18th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, March 18th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendation approved.

Dated, March 18th, Recommending approval of the application of Mr. Hugh B. Rose for permission to serve at the same time as officer of the South Side National Bank, St. Louis, Mo., and as officer of the Lafayette-South Side Bank and Trust Company, St. Louis, Mo. Approved.
Recommending approval of the application of Mr. Frank K. Harris for permission to serve at the same time as officer of the South Side National Bank, St. Louis, Mo. and as officer of the Lafayette-South Side Bank and Trust Company, St. Louis, Mo.

Approved.

The meeting adjourned at 1:00 p.m.

Approved:

Governor.

Assistant Secretary.