

A meeting of the Federal Reserve Board was held in the office of the Governor on Monday, April 1, 1929 at 11:00 a.m.

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

PRESENT ALSO: Mr. Burgess, Asst. Federal Reserve Agent
at New York.
Dr. Goldenweiser, Director of the Division
of Research and Statistics.

The Governor stated that the meeting had been called in order to permit Mr. Burgess, who has just returned from a trip abroad where he worked with the American members of the expert committee on reparations settlements, to acquaint the Board with developments in connection with the committee's work. Mr. Burgess outlined discussions which have taken place with regard to the amount and period of reparations payments, and advised the Board of consideration which is being given to the organization of an international bank, privately capitalized, the primary purpose of which, he stated, would be to perform the mechanical operations incident to reparations payments now handled in the office of the Agent General for Reparations. At the conclusion of Mr. Burgess' statement and after a brief discussion regarding it, the Chairman left the meeting.

The Governor took the chair and stated that the regular order of business would be the hearing which the Board has granted to representatives of member banks in Albany, which have applied for the termination of the designation of Albany as a reserve city. Messrs. J. H. Herzog and W. L. Gillespie, President and Vice President, respectively, of the National Commercial Bank

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and Trust Company of Albany and Messrs. Frederick McDonald and Murray C. Smouse, President and Assistant to the President, respectively, of the New York State National Bank of Albany, entered the room. Mr. L. R. Rounds, Deputy Governor of the Federal Reserve Bank of New York, Mr. Smead, Chief of the Division of Bank Operations and Mr. Stearns, Chief National Bank Examiner, also joined the meeting.

The Governor outlined, briefly, the general attitude of the Federal Reserve Board in the matter of adjustments in the reserve requirements of member banks, stating that the question is one which the Board must consider from a national viewpoint. He stated that the application was denied by the Board for the reason that other cities throughout the country, now designated as reserve cities, seem to have as good a case for the termination of that designation as Albany. He also stated that the Board, in the absence of legislation amending reserve requirements along scientific lines, prefers to deal with apparent inequalities between comparable cities by increasing reserves in the cities not now designated as reserve cities, rather than reducing the list of cities so designated.

Mr. Herzog, spokesman for the Albany delegation, read to the Board a brief in support of their request for reconsideration of their application. He stressed particularly the fact that Albany which, before the establishment of the Federal Reserve System, was an important collection center and carried large bank deposits has steadily lost such deposits since the System was established. He pointed out what the Committee considers to be the excessive cost of membership in the System under the present requirement of 10% reserves against demand deposits and the disadvantage at which it places those banks in their

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natural competition with the larger centers of Boston, New York, Philadelphia and Chicago.

A general discussion then ensued at the conclusion of which the Governor advised the Albany representatives that the Board will give further consideration to their application and will promptly communicate to them its final action.

At 1:00 p.m. the meeting recessed, and reconvened at 3:30 p.m., the following members being present: Governor Young, Mr. Platt, Mr. Hamlin, Mr. Miller, Mr. James and Mr. Cunningham.

With reference to the hearing at the morning session, and previous discussions by the Board regarding the application of member banks in Albany for the termination of the designation of that city as a reserve city and other inequalities which appear to exist in the reserve structure, Mr. James submitted the following resolution:

"RESOLVED, That the designation of reserve city be applied to any city where the ratio of 'due to banks' of all member banks in the city exceeds 10% of their total deposits, and that the designation of reserve city be terminated in cases where the ratio of 'due to banks' to total deposits is or becomes less than 10%."

He did not request immediate action on the resolution, but, at his suggestion, it was referred to the Conference of Governors now in session.

The Governor then brought up the proposal that the Federal Advisory Council, or at least the executive committee of the Council, be called in by the Board for a discussion with regard to the advisability of an increase in discount rates. He requested to be advised of the pleasure of the Board, and after a brief discussion it was the consensus of opinion that the suggested meeting should be deferred for the time being.

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The Governor then announced that the Board will meet with the Governors' Conference in joint session on Wednesday.

He also announced that on Saturday Mr. Charles E. Mitchell, President of the National City Bank of New York, called the Governor of the New York bank on the telephone and advised that the Board's letter of March 29th had been received at his bank, but that he did not expect to be at the bank until Monday, unless it was desired that an immediate reply be made to the Board's inquiry. The Governor stated that he requested Governor Harrison to advise Mr. Mitchell that it will be satisfactory to the Board if he replies to its letter when he returns to New York on Monday. The Governor also stated that in reply to an inquiry made of him direct by another officer of the National City Bank, as to whether a full exposition of Mr. Mitchell's position is desired by the Board, he stated that the nature of Mr. Mitchell's reply is for his own determination.

The Governor then presented a telegram dated April 1st from Mr. Paul M. Warburg, with regard to the present rate structure, particularly the relation of the Federal Reserve discount rate to rates on acceptances; the telegram setting forth Mr. Warburg's belief that the situation is detrimental to the bill market and recommending an increase in the rediscount rate - to 6% on member bank collateral notes and to 5 1/2% on straight rediscounts.

After discussion, the Governor stated that he would prepare a reply to Mr. Warburg's telegram and submit it to the Board later.

Letter dated March 29th from the Chairman of the Federal Reserve Bank of Chicago, advising of consideration given by the board of directors of the bank at their adjourned meeting on March 28th, to the question of an increase

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in the discount rate of the bank.

Ordered circulated.

Letter dated March 26th from the Chairman of the Federal Reserve Bank of Dallas, advising of the establishment on that date of the following schedule of rates for purchases of acceptances:

Bankers acceptances:		
1 to 30 days	-	5%
31 to 45 days	-	5 1/8%
46 to 60 days	-	5 1/4%
61 to 90 days	-	5 1/2%
91 to 180 days	-	5 3/4%
Repurchase	-	5 1/2%
Trade acceptances	-	5 3/4%

Noted, with approval, Mr. James
voting "no".

Letter dated March 28th from the Secretary of the Federal Reserve Bank of New York, confirming the action of the board of directors of that bank on that date in voting to establish a rediscount rate of 6%; the letter quoting the resolution adopted by the directors of the bank as follows:

"Voted, subject to review and determination of the Federal Reserve Board, to establish a rate of six percent for all rediscounts and advances, effective from the opening of business on March 29, 1929 and until further notice and superseding the existing rate but with the understanding that this action of the board of directors of this bank is predicated upon approval or disapproval by the Federal Reserve Board today."

Noted.

Letter dated March 27th from the Chairman of the Federal Reserve Bank of Boston, confirming telephone advice of the action of the directors of that bank at a meeting on that date, in voting to establish a rediscount rate of 6%; the letter quoting the following resolution adopted by the directors:

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"Voted that, subject to review and determination of the Federal Reserve Board, a discount rate of six percent on all classes of paper of all maturities be and is hereby established for this bank, provided however, that if the Federal Reserve Board's determination of the change in the rate shall not have been obtained by the close of business on April 3, the action hereby taken shall be considered rescinded and the proposed rate shall not be established without further consideration by this board of directors or the executive committee of this bank."

Noted.

Reports of Executive Committee on letters dated March 28th from the Comptroller of the Currency, recommending approval of salaries of \$3,600 and \$2,700 per annum for National Bank Examiners James J. Byrne and Horace F. Stokes, respectively, assigned to the Sixth and Fifth Federal Reserve Districts; the Board's Committee also recommending approval.

Approved.

Letter dated March 30th from the Chairman of the Federal Reserve Bank of Chicago, advising that pending the selection of a new counsel to succeed Mr. Charles L. Powell, deceased, the legal work of the bank will be left in the hands of the firm of Mayer, Meyer, Austrian and Platt, with which Mr. Powell was connected; the letter also advising that Mr. Meyer of that firm will represent the bank at the conference of Counsel which is to be held in Washington.

Noted.

Letter dated March 21st from the Governor of the Federal Reserve Bank of New York, advising of the appeal of the case of Frank G. Raichle v. Federal Reserve Bank of New York, which was tried last summer in the United States District Court for the Southern District of New York with the result that a motion to dismiss the plaintiff's bill of complaint was granted; the letter

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stating that Honorable Newton D. Baker, who represented the Federal Reserve Bank in the District Court will also represent it in the appeal and it is assumed that all Federal Reserve banks will desire to pay their pro-rata shares of his fee and expenses in the appellate Court, as they did in the lower court.

Upon motion, the Assistant Secretary was instructed to take the matter up with all Federal Reserve banks and ascertain whether they are willing to assume their pro-rata shares of the expense in question.

Letter dated March 28th from the Assistant Federal Reserve Agent at Minneapolis, requesting permission to use examiners of that bank in connection with an examination by state authorities of two state banks at Buffalo, S. D., one of which, The First State Bank, is a member of the Federal Reserve System and expects to take over the other, a nonmember bank; the letter stating that an application will be made for the Board's approval of the consolidation and it is believed that an examination of both banks should be made before action on the application is taken. In the letter, the Assistant Federal Reserve Agent also requested that the assessment of expenses against the member bank be waived.

After discussion, upon motion, the permission requested was granted.

Letter dated March 28th from the Federal Reserve Agent at Cleveland, with regard to the Board's letter of January 26, 1929 (X-6223); the Agent commenting upon the adequacy of examinations in the Fourth District and also, at the suggestion of the Governor of the Board, on the proposal that charges against a member bank in connection with a credit investigation be limited to the amount of the salary of the examiner while actually in the member bank.

Ordered circulated.

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Memorandum from Counsel dated March 27th, with reference to the Clayton Act application of Mr. Frank O. Wetmore, involving the First National Bank and the First Trust Joint Stock Land Bank of Chicago, Ill., and the First Trust Joint Stock Land Bank of Dallas, Texas, on which the Board some time ago deferred action inasmuch as Mr. Wetmore is also serving the Chicago Title and Trust Company of Chicago, Ill., and the Board had no authority to permit him to serve the four institutions; Counsel stating that in view of the amendment of March 2, 1929 to the Clayton Act, exempting Joint Stock Land Banks and banks which do no commercial business from its provisions, Mr. Wetmore's service of the institutions above referred to does not now come within the prohibitions of the Clayton Act and it is not necessary for him to secure a permit from the Board.

Upon motion, a letter to Mr. Wetmore advising accordingly was approved.

Memorandum from Counsel dated March 27th, with respect to the Clayton Act application of Mr. Edward A. Duerr, involving the Community National Bank and the East Side National Bank, both of Buffalo, N. Y., and the Seneca National Bank of West Seneca, N. Y., action on which was deferred by the Board due to the fact that Mr. Duerr is also serving as a director of the Buffalo Branch of the Federal Reserve Bank of New York; and the Board had no authority to permit him to serve the four institutions; Counsel stating that, in his opinion, the amendment of March 2, 1929 to the Clayton Act, exempting from its provisions banks which do no commercial banking business, removes Mr. Duerr's service as a director of the Buffalo Branch of the Federal Reserve Bank of New York from the prohibitions of the Clayton Act, and there is now no reason why

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the Board should not grant him permission to serve the three institutions listed in his application.

Upon recommendation of the Law Committee, it was voted to authorize Mr. Duerr to serve at the same time as officer and director of the Community National Bank of Buffalo, N. Y., as director of the East Side National Bank, Buffalo, N. Y., and as director of the Seneca National Bank, West Seneca, N. Y.

Memorandum from Counsel dated March 28th, with regard to an inquiry received from the Managing Director of the New Orleans Branch of the Federal Reserve Bank of Atlanta, as to whether canned shrimp should be regarded as a readily marketable staple, within the meaning of Section 13 of the Federal Reserve Act and the Regulations of the Federal Reserve Board; Counsel submitting draft of a letter to the Managing Director of the New Orleans Branch, advising that from the information which the Board has received on the question, it appears that canned shrimp is not the subject of constant dealings in ready markets nor easy to realize upon by sale at any time, as required by the definition of a readily marketable staple laid down in the Board's Regulation "A" and, in the opinion of the Federal Reserve Board, therefore, is not to be regarded as a readily marketable staple within the meaning of Section 13.

Upon motion, the letter submitted by Counsel was approved.

REPORTS OF STANDING COMMITTEES:

- Dated, March 28th, 29th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
 April 1st, Recommendations approved.
- Dated, March 28th, April 1st, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
 Recommendations approved.
- Dated, March 28th, Recommending approval of the application of Mr. William W. Cohen for permission to serve at the same time as director of the Lefcourt Normandie National Bank, New York, N. Y.,

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REPORTS OF STANDING COMMITTEES: (Cont'd)

and as director of the Brooklyn National Bank, New York, N. Y.

Approved.

Dated, March 29th, Recommending approval of the application of Mr. Emil A. Stake for permission to serve at the same time as officer of the First National Bank, Chicago, Ill., and as director of the Fidelity Trust and Savings Bank, Chicago, Ill.

Approved.

Dated, March 29th, Recommending approval of the application of Mr. F. J. Humphrey for permission to serve at the same time as director and officer of the Wyoming County National Bank, Warsaw, N. Y., as officer and director of the First National Bank, Arcade, N. Y., and as officer and director of the National Bank of Wyoming, N. Y.

Approved.

Dated, March 29th, Recommending approval of the application of Mr. Ralph S. Davis for permission to serve at the same time as officer of the Portage Park National Bank, Chicago, Ill., and as director of the West Irving State Bank, Chicago, Ill.

Approved.

Dated, March 29th, Recommending approval of the application of Mr. Frank Krzykowski for permission to serve at the same time as director of the Portage Park National Bank, Chicago, Ill., and as director of the West Irving State Bank, Chicago, Ill.

Approved.

Dated, March 29th, Recommending approval of the application of Miss Annabel Humphrey for permission to serve at the same time as director of the Wyoming County National Bank, Warsaw, N. Y., and as director of the National Bank of Wyoming, N. Y.

Approved.

The meeting adjourned at 5:15 p.m.

C. W. W. Colwell
Assistant Secretary.

Approved:

Boyer
Governor.