

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, April 9, 1929 at 12:00 o'clock noon.

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

The minutes of the meeting of the Federal Reserve Board held on April 5th were read and approved.

Telegram dated April 8th from the Chairman of the Federal Reserve Bank of Dallas, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Application of the Farmers & Merchants National Bank of Stanley, Va., for permission to exercise general fiduciary powers; together with a divided report thereon by the Law Committee, Mr. Hamlin recommending approval and Mr. Platt expressing the opinion that a bank, which has a capital of \$50,000, is too small.

Upon motion, the application was approved, Mr. Platt voting "no".

Application of the Tipton National Bank, Tipton, Iowa, for permission to exercise general fiduciary powers, which was referred to the Comptroller of the Currency inasmuch as the institution was recently organized to take over the City National Bank of Tipton; together with a memorandum from the Comptroller recommending that at this time the bank be given authority to act as trustee only and that action on its application for further fiduciary powers be deferred until a future date.

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The recommendation of the Comptroller, being concurred in by the Law Committee, was, upon motion, approved.

Memorandum from Counsel dated March 27th, with reference to the Clayton Act application of Mr. A. L. Humphrey, involving the First National Bank at Pittsburgh, Pa., the Union Trust Company of Pittsburgh, Pa., and the First National Bank of Swissvale, Pa., on which the Board some time ago deferred action because of the fact that Mr. Humphrey is also serving as a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland and the Board had no authority to authorize him to serve the four institutions; Counsel stating that, in his opinion, the amendment to the Clayton Act of March 2, 1929, exempting from its provisions banking institutions which do no commercial banking business, removes Mr. Humphrey's service as director of the Pittsburgh Branch from the prohibitions of the Clayton Act and the Board may, therefore, approve of his serving the three banks named in the application.

Upon recommendation of the Law Committee, it was, upon motion, voted to approve Mr. Humphrey's application.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Philadelphia, Cleveland 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 March, 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 April 8th from the Governor of the Federal Reserve Bank of New York, with reference to gold exports, imports and earmarkings since

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January 1, 1929; the net result of the transactions completed and anticipated being a total gain of \$70,000,000 since the first of the year.

Ordered circulated.

Report of Committee on Examinations on letter dated April 4th from the Federal Reserve Agent at Chicago, with regard to the proposed absorption of the Old National Bank, Grand Rapids, Michigan, on April 20th by the Kent State Bank of Grand Rapids, a member institution; the Board's Committee recommending approval.

Noted, with approval.

Memorandum from Counsel dated April 6th, approved by the Law Committee, submitting draft of letter to the President of the International Banking Corporation, New York City, granting permission to Mr. D. C. Borden to serve at the same time as Comptroller of the National City Bank of New York and as Comptroller and director of the International Banking Corporation.

Upon motion, Mr. Borden's service of the two institutions named was approved and the letter submitted by Counsel was ordered transmitted.

Letter dated April 6th from the Assistant Federal Reserve Agent at New York, transmitting application of the Trade Bank of New York, New York City, for permission to merge the Tompkins Square Bank of New York City, recently organized to take over the private banking business conducted by Mr. Eugene Ruttkay; the Assistant Agent recommending approval of the proposed merger.

Noted, with approval.

Letter dated March 27th from the Federal Reserve Agent at Boston, advising that the Old Colony Trust Company of Boston has bought a controlling

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interest in the First National Bank of Mansfield, Massachusetts, the Second National Bank of Malden, Massachusetts, Winchester Trust Company of Winchester, Massachusetts, the Harvard Trust Company of Cambridge, Massachusetts and the Springfield National Bank of Springfield, Massachusetts, and also that it is understood that the Federal National Bank of Boston has acquired control of the Brockton Trust Company. In his letter, the Federal Reserve Agent also advised that an application for withdrawal from the System is expected within a few days from the Hadley Falls Trust Company of Holyoke, Massachusetts.

Noted.

Memorandum from Counsel dated March 26th, with reference to a request made by the Secretary of the American Acceptance Council that hereafter the Council be furnished with a copy of each ruling made by the Board with reference to bankers acceptances immediately after such ruling is made, in order that member banks may receive earlier advice of such rulings than they now receive through publication in the Federal Reserve Bulletin; Counsel suggesting that in order to avoid criticism for discriminating in favor of the American Acceptance Council and to expedite publication of the rulings in question, immediately after such rulings are issued they be made public in the form of a statement to the press, a copy of which can then be furnished to the American Acceptance Council and to any other persons who desire to receive it.

After discussion, upon motion, Counsel's suggestion was approved.

Memorandum from Counsel dated April 9th, submitting draft of reply to letter dated April 3rd from the Assistant Cashier of the Nevada First National Bank of Tonopah, Nevada, inquiring whether the bank may act as "trustee" under the permission heretofore granted by the Board to act as registrar of stocks

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and bonds' and "in any other fiduciary capacity in which state banks, trust companies or other corporations which come in competition with national banks are permitted to act under the laws of the state of Nevada"; the proposed reply, prepared in accordance with previous policy, advising that the bank may act as trustee under the permit which has been granted to it by the Board, if competing state banks are authorized to so act by the laws of Nevada.

Upon motion, the proposed reply was approved.

Memorandum from Counsel dated April 8th, submitting draft of reply to letter dated March 12th from the Deputy Governor of the Federal Reserve Bank of New York, with regard to an inquiry by the Bankers Trust Company of New York as to whether funds held by it against American Bankers Association travelers' checks are deposit liabilities against which reserves must be maintained; the proposed reply stating that, in the opinion of the Board, funds held by a member bank against travelers' checks issued in exchange for cash and outstanding are deposits within the meaning of Section 19 of the Federal Reserve Act, against which reserves must be carried and that inasmuch as they are payable on demand, such deposits must be classified as demand and not as time deposits.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated April 8th on letter dated March 29th from the Assistant Attorney General, transmitting copy of a communication addressed to the Comptroller of the Currency with regard to the impropriety of obtaining confessions of those guilty of apparent violations of the national banking laws by the promise of immunity or by coercion, such as was done in connection with

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an investigation by a private detective agency of certain apparent violations on the part of an employee of the Brockton National Bank, Brockton, Massachusetts; Counsel submitting draft of a letter to the Attorney General advising that the matter will be called to the attention of all examiners of the Federal Reserve Board and the Federal Reserve banks, with a view of preventing the use of any such methods on their part. With his memorandum, Counsel also submitted draft of a circular letter to all Federal Reserve Agents on the subject.

Upon motion, the letters submitted by Counsel were approved and ordered transmitted.

Memorandum from the Assistant Secretary submitting letter dated March 13th from the Secretary of the Sub-committee of the General Committee on Bankers Acceptances, transmitting a supplement to the report made to the November, 1928 Conference of Governors, setting forth specific examples of domestic transactions which, during recent years, have come to the attention of Federal Reserve banks and as they could not be financed under the rulings of the Board by eligible acceptances, illustrate the need for a modification of the Board's rulings concerning bankers acceptances drawn under domestic credits.

Referred to the Law Committee.

Letter dated April 5th from the Secretary of the Governors' Conference, advising that in response to a request by Assistant Secretary of the Treasury Bond and Commissioner of the Public Debt Broughton that the Federal Reserve banks advance to the Bureau of Engraving and Printing an amount sufficient to take care of the added expense occasioned by the unusual quantity of materials

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required for printing the new size currency and the employment of extra labor, the following resolution was adopted by the Conference:

"Voted, that unless objection was raised by the Federal Reserve Board, the Governors comply with the request of the Treasury for an advance of \$750,000. during the first part of April and \$750,000. on the 1st of May."

Upon motion, the action of the Conference was formally approved, the Board having previously informally approved it and authorized one payment in accordance with its informal action.

Letter dated April 5th from the Secretary of the Governors' Conference, advising that in considering the topic submitted by the Board on the question of the desirability of establishing a higher rate of discount on member bank collateral notes secured by government obligations than is maintained for discounting eligible paper, it was voted:

"That in the opinion of the Conference, it is not advisable at the present time to establish any differential between these two classes of paper, and if any such differential were to be established, consideration of it should be postponed until after the Federal Reserve banks are ready to reduce their rediscount rates."

After discussion, the resolution adopted by the Conference was noted and action thereon was deferred.

Letter dated April 5th from the Secretary of the Governors' Conference, advising that in considering the topic submitted by the Board, relating to the possibility of Federal Reserve banks acting as custodians of securities, including bankers bills, pledged to secure public deposits, a committee consisting of Governors Geery, Fancher and Harrison was appointed, in accordance with the following resolution adopted by the Conference:

"That the Chairman appoint a committee to review this whole question in the light of the earlier report submitted by the committee appointed for

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"that purpose, and in the light of further developments since that time."

Noted, with approval.

Letter dated April 5th from the Secretary of the Governors' Conference, advising that after consideration of the resolution introduced by Mr. James and referred to the Conference on April 1st, setting forth a proposed formula in connection with the designation of reserve cities, the following resolution was adopted:

"Resolved, that the Conference is unable to give any advice at this time and would like to have further time for consideration. We would, however, call the attention of the Federal Reserve Board to the fact that in many cases, one or two banks in a city might have bank deposits while other banks did not, and suggest that they consider the advisability, if they desire to carry out this plan, of having this provision apply to specific banks rather than to all banks in the city."

The Assistant Secretary was instructed to call attention to the fact that the Board could not, under the law, apply a formula of the kind to individual banks.

In connection with the above, the Governor stated that in accordance with the understanding had at the joint meeting between the Board and the Governors' Conference, he has directed the preparation of a letter to the Governors of all Federal Reserve banks on the subject of the designation and termination of reserve cities, incorporating therein a request for expressions of opinion on the advisability of special legislation which would fix a higher reserve against bank deposits, wherever carried, than is required against other deposits. He stated that the letter will be submitted to the Board within a day or two.

He also stated that, if agreeable to the Board, he will defer sending out a letter to all Governors on the general reserve question until after he returns from his trip.

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There was no objection.

Letter dated April 5th from the Secretary of the Governors' Conference, advising that following consideration of the question of the use of self-insurance reserves carried by the Federal Reserve banks, which topic was submitted by the Board, the following resolution was adopted:

"Resolved, that it is desirable that all Federal Reserve banks should set up self-insurance reserves for the purpose of meeting any losses of whatever nature not covered otherwise, and that the effect should be a very material reduction in the cost of all types of insurance."

After discussion, the resolution was noted and action thereon was deferred.

Letter dated April 5th from the Secretary of the Governors' Conference, advising of consideration given to a question submitted by the Board on the 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; the letter advising that the majority report adopted by the Conference of Counsel, as well as a minority report prepared by four members of that conference, was considered with the result that the following resolution was adopted:

"Resolved, that we approve in substance the majority report of the Conference of Counsel, with the understanding that, to assist the Counsel of the Federal Reserve Board in framing the exact language of any amendments that may be found necessary to make the substance of the report effective, each Federal Reserve bank shall be at liberty to call his attention to any local arrangement that might be affected by any such amendments."

After discussion, action on the above resolution was deferred until the Board's Counsel shall have prepared and submitted the form of regulation contemplated by the majority report of the Conference of Counsel.

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The Assistant Secretary then submitted the matter which was referred to Mr. Platt at the meeting of the Board on March 14th, namely, draft of a letter 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 so as to provide that an additional dividend, not to exceed 2%, may be paid to member banks by the Federal Reserve banks out of net earnings for the year. He read a notation made thereon by Mr. Platt that the bill in question is dead and unless it is reintroduced, there appears to be no reason for addressing a letter to the Senate Committee.

The Governor reported that he discussed the above letter with the Undersecretary of the Treasury yesterday, at the same time he discussed the draft of a letter for the signature of the Secretary of the Treasury to the Chairman of the Senate Committee, with regard to S. 5723, which was referred to him at the meeting on March 12th. He reported that Mr. Mills agreed that unless the two bills are reintroduced, the Secretary of the Treasury need not address letters regarding them to the Senate Committee on Banking and Currency.

The proposed letters were, therefore, ordered filed.

Memorandum from Counsel dated March 23rd, submitting in accordance with the resolution adopted by the Board on March 21st, tentative draft of a regulation, designated as Regulation "M", Series of 1929, designed to enforce the principles regarding the proper use of the credit facilities of the Federal Reserve System laid down in the Board's letter of February 2, 1929 to all Federal Reserve banks.

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After discussion, action on the above matter was deferred.

The Governor requested, in case the proposed regulation should come up for consideration during his absence, that he be recorded as disapproving its adoption.

Matter approved on initials yesterday, namely, application by the Broadway National Bank, Richmond, Va., on behalf of the Broadway Bank and Trust Company, Richmond, Va., for membership in the Federal Reserve System and for 195 shares of stock in the Federal Reserve Bank of Richmond, effective if and when the Broadway Bank and Trust Company opens for business; the application having been approved subject to the regular conditions of membership set out in Regulation "H", Series of 1928, and the following special conditions:

"1. That the Broadway Bank and Trust Company, Richmond, Virginia, shall at the first meeting of its board of directors ratify the action taken in its behalf by the Broadway National Bank of Richmond, Virginia, in applying for stock in the Federal Reserve Bank of Richmond and in accepting the conditions of membership imposed by the Federal Reserve Board, and the board of directors of the Broadway Bank and Trust Company shall pass a resolution accepting such conditions of membership.

2. That at the time the Broadway Bank and Trust Company, Richmond, Virginia, is authorized to commence business its proposed capital of \$300,000 and surplus of \$25,000 shall be fully paid in.

3. That prior to the payment of a dividend the Broadway Bank and Trust Company, Richmond, Virginia, shall carry to its surplus account not less than one-tenth part of its net profits for the preceding dividend period until its surplus fund shall amount to 20 per cent of its capital stock.

4. That it shall within six months dispose of or otherwise secure all loans secured by its own stock.

5. Except with the permission of the Federal Reserve Board the Broadway Bank and Trust Company, Richmond, Virginia, will not exercise any of the following powers which it has under its charter and the laws of Virginia:

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'To guarantee the fidelity and diligent performance of their duty by persons or corporations holding places of private or public profit or trust in all cases where individual bonds are not required by law; to guarantee the title to real or personal estate or become security on any bond given by any person or corporation against loss or damage by reason of any risk assumed, by insuring the fidelity or diligent performance of duty of any person or corporation, or by guaranteeing or becoming surety on any bonds.

To guarantee payment of bonds, bills, notes and other obligations.'"

Upon motion, the application was formally approved.

Memorandum from Mr. Platt dated March 23rd, referring to the Board's letter of January 26, 1929 (X-6223) on the subject of examination of member banks and suggesting amendment of the instructions contained in that letter with respect to credit investigations of member banks.

Ordered circulated.

The Governor then announced that he is leaving tomorrow for his trip to the Coast and will be gone for about thirty days. He stated that in case anything of an unusual nature should come up, he has instructed the Assistant Secretary of the Board to communicate with him.

REPORTS OF STANDING COMMITTEES:

Dated, April 8th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
9th, Recommendations approved.

Dated, April 5th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
8th, Recommendations approved.

Dated, April 5th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, April 5th, Recommending approval of the application of Mr. George MacDonald for permission to serve at the same time as director of the Chatham Phenix National Bank and Trust Company, New York, N. Y., and as director of the Liberty National Bank and Trust Company, New York, N. Y.

Approved.

Dated, April 9th, Recommending approval of the application of Mr. Matthew S. Sloan for permission to serve at the same time as director of the Guaranty Trust Company of New York, N. Y., as director of the Nassau National Bank of Brooklyn in New York, Brooklyn, N. Y., and as director of the Irving Trust Company, New York, N. Y.

Approved.

The meeting adjourned at 1:15 p.m.

C. W. MacCalland
Assistant Secretary.

Approved:

Raymond
Governor.