

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, April 11, 1929 at 11:45 a.m.

PRESENT: Vice Governor Platt  
Mr. Hamlin  
Mr. James  
Mr. Cunningham  
Mr. Pole  
Mr. McClelland, Asst. Secretary

The minutes of the meeting of the Federal Reserve Board held on April 9th were read and approved.

Telegram dated April 10th from the Governor of the Federal Reserve Bank of Boston, advising that the board of directors at their 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 Genoa National Bank of Genoa, Nebraska, for permission to exercise general fiduciary powers, together with a divided report thereon by the Law Committee; Mr. Hamlin recommending approval of the application and Mr. Platt expressing the opinion that the institution, which has a capital of \$50,000, is too small.

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

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of San Francisco, of employees for whom the directors of that bank 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.

4/11/29

-2-

Approved.

Telegram dated April 9th from the Assistant Federal Reserve Agent at Cleveland, recommending a further extension until May 1st of the period in which the Peoples Savings and Trust Company, Pittsburgh, Pa., may accept the conditions imposed upon it by the Board when its application for membership in the System was approved on March 1st; the Agent expressing the opinion that the conditions will be accepted, but advising that representative members of the board of directors of the bank will not be available by April 15th, the present time limit.

Upon motion, an extension until May 1st was approved.

Report of Committee on Examinations on letter dated March 29th from the Federal Reserve Agent at Atlanta, transmitting and recommending approval of an application of the Bank of Candler County, Metter, Ga., for approval of its purchasing certain assets of the Citizens Bank of Metter and assuming liabilities (exclusive of stockholders' liability) subject to a guarantee against loss by the directors of the Citizens Bank in the amount of \$10,000; the Board's Committee also recommending approval.

Noted, with approval.

Letter dated <sup>April</sup> March 9th from the Deputy Governor of the Federal Reserve Bank of New York, advising that since his letter of April 2nd, there has been no change in the total of government securities held in the Open Market Investment Account, namely, \$49,500,000, including \$9,500,000 of Treasury Notes temporarily taken over from the portfolio of the St. Louis Bank.

Noted.

4/11/29

-3-

The Vice Governor reported a telephone conversation with the Governor of the Federal Reserve Bank of New York, during which he was advised that the Reichsbank is forwarding an additional \$6,000,000 of gold to this country, on which it has requested an advance during the time of transit. The Vice Governor reported that since March 6th, the Reichsbank has lost \$57,000,000 of gold and the principal central banks of Europe, since last July, have lost \$420,000,000 in gold and foreign exchange.

After discussion, upon motion, it was voted to approve of the New York bank making an advance to the Reichsbank on the \$6,000,000 shipment while it is in transit.

Letter dated April 9th from the Secretary of the Federal Advisory Council, advising that the next meeting of the Council will be held in Washington on Tuesday, May 21st, and requesting a list of the topics which the Board desires the Council to discuss.

Referred to the Executive Committee.

The Vice Governor then stated that the next order of business for the meeting would be a hearing to show cause why the State Bank of Ellsworth, Ellsworth, Iowa, should not be required to surrender its stock in the Federal Reserve Bank of Chicago and to forfeit all rights and privileges of membership in the Federal Reserve System.

No one appearing on behalf of the State Bank of Ellsworth, Ellsworth, Iowa, at the said hearing before the Federal Reserve Board, under the terms of Section 9 of the Federal Reserve Act; and it appearing to the Federal Reserve Board that the State Bank of Ellsworth, Ellsworth, Iowa, has violated

4/11/29

362

-4-

the provisions of Section 9 of the Federal Reserve Act in that it has failed to comply with the provisions of the condition of membership imposed on such bank at the time of its admission to the Federal Reserve System "that except with the approval of the Federal Reserve Board, there shall be no change in the general character of your assets or broadening in the functions now exercised by you such as will tend to affect materially the standard now maintained and required as a condition of membership"; the State Bank of Ellsworth having permitted large amounts of undesirable assets to accumulate with estimated losses sufficient to impair its capital to a large extent and having permitted the character of its assets to change materially and to deteriorate in value since the admission of this bank to the System;

Upon motion duly made and seconded, the following resolution was adopted, Mr. Cunningham not voting:

"Whereas, it appears to the Federal Reserve Board from a consideration of the information received by it that the State Bank of Ellsworth, Ellsworth, Iowa, has violated the provisions of Section 9 of the Federal Reserve Act in that it has failed to comply with the provisions of the condition of membership imposed on such bank at the time of its admission to the Federal Reserve System 'that except with the approval of the Federal Reserve Board there shall be no change in the general character of your assets or broadening in the functions now exercised by you such as will tend to affect materially the standard now maintained and required as a condition of membership'; the State Bank of Ellsworth having permitted large amounts of undesirable assets to accumulate with estimated losses sufficient to impair its capital to a large extent and having permitted the character of its assets to change materially and to deteriorate in value since the admission of this bank to the System;

NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board require and direct the State Bank

4/11/29

-5-

363

"of Ellsworth, Ellsworth, Iowa, under the terms of Section 9 of the Federal Reserve Act, as amended, to surrender its stock in the Federal Reserve Bank of Chicago, and to forfeit all rights and privileges of membership in the Federal Reserve System as of the date on which notice of this action on the part of the Federal Reserve Board is received by said bank."

The Assistant Secretary then presented a letter, prepared under the direction of the Governor and referred to by him at the meeting on April 9th, addressed to the Governors of all Federal Reserve banks in accordance with the understanding at the recent meeting of the Board with the Governors' Conference, on the subject of the designation and termination of reserve cities and the possibility of developing some formula which might be used as the basis of determining whether or not a given city should be designated as a reserve city. He also read a proposed additional paragraph, suggested by the Governor, reading as follows:

"It may be that the whole problem of member bank reserves could be clarified by a provision that bank deposits shall be subject to higher reserve requirements than other deposits. It will be appreciated if you will give consideration to this question, and if you deem it advisable to ask Congress for an amendment along this line, will you kindly indicate the percentage of reserve that you think should be carried against bank deposits, whether that percentage should be the same in all classes of cities, and whether it should be applied to gross or to net bank deposits."

Dr. Goldenweiser, Director of the Division of Research and Statistics, entered the room and advised the Board of certain objections, in his mind, as to the advisability of bringing up the question of piecemeal legislation affecting the present reserve requirements. He stated that the Board may later, in its general study of the question of reserves, reach the conclusion that bank deposits should be treated in a manner different from that suggested in the paragraph above quoted, which might necessitate a request to Congress that

4/11/29

-6-

it repeal an amendment previously recommended by the Board in line with the above suggestion.

After discussion, Mr. Hamlin moved that the proposed letter be approved and transmitted without the inclusion of the extra paragraph quoted above.

Mr. Hamlin's motion, being put by the Chair, was carried.

Letter dated April 9th from the Governor of the Federal Reserve Bank of New York, referred to by the Governor of the Board at the meeting on April 4th, setting forth in a general way some of the conditions which have lead the directors of that bank to seek an increase in the discount rate of the bank for a number of weeks past. The Assistant Secretary reported that a copy of the above letter was this morning furnished to each member of the Board for consideration in advance of this meeting.

The Vice Governor reported that during his conversation this morning with the Governor of the Federal Reserve Bank of New York, he was advised that the directors of the bank will undoubtedly again this afternoon take action to increase the rate of the bank to 6%. He also stated that he presented the letter above referred to, to the Secretary of the Treasury, who appeared to regard favorably the reasons advanced therein for an increase in rate. He stated that the Secretary of the Treasury expressed the view that the position of the majority of the Board in the matter is probably unchanged, and inquired whether it will be necessary for him to attend the meeting of the Board this afternoon, if called to consider action of the New York directors. The Vice Governor stated that he advised the Secretary that he did not believe it will be necessary for him to come to the meeting.

4/11/29

-7-

At the conclusion of the discussion, Mr. Hamlin moved that if advice should be received this afternoon that the directors of the Federal Reserve Bank of New York have established a rediscount rate of 6%, with the understanding, however, that their action is predicated upon approval or disapproval by the Federal Reserve Board today, the Vice Governor be instructed to advise the New York directors that the Board disapproves their action and has determined that the rate of the bank be 5%; or, if advice is received that the directors of the bank have voted to establish a rediscount rate of 6%, without a condition that their action is predicated upon approval or disapproval by the Federal Reserve Board today, the Vice Governor be instructed to advise them that the Board has taken their action under review and has determined that the rate of the bank be 5%.

After further discussion, Mr. Hamlin's motion was put by the Chair and carried, Mr. Platt voting "no".

REPORTS OF STANDING COMMITTEES:

- Dated, April 10th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, April 11th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.
- Dated, April 10th, Recommending approval of the application of Mr. Fred M. Kirby 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 Miners Bank, Wilkes-Barre, Pa.  
Approved.
- Dated, April 10th, Recommending approval of the application of Mr. C. R. Bell for permission to serve at the same time as director of the First National Bank, Beverly Hills, Cal., as director of the Title Guarantee and Trust Company, Los Angeles, Cal., and as director and officer of the Bank of America of California, Los Angeles, Cal.  
Approved.
- Dated, April 10th, Recommending approval of the application of Mr. Prentiss A. Brown for permission to serve at the same time as director and officer of the Union National Bank, New Kensington, Pa., and as director of the Logan Trust Company, New Kensington, Pa.  
Approved.

4/11/29

-8-

REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, April 10th, Recommending approval of the application of Mr. Philip C. King for permission to serve at the same time as director and officer of the Logan Trust Company, New Kensington, Pa., as director of the Union National Bank, New Kensington, Pa., and as director of the National Deposit Bank, Arnold, Pa.

Approved.

Dated, April 10th, Recommending approval of the application of Mr. James McCullough, Jr., for permission to serve at the same time as director of the National Kittanning Bank, Kittanning, Pa., and as director of the Safe Deposit and Title Guaranty Company, Kittanning, Pa.

Approved.

Dated, April 10th, Recommending approval of the application of Mr. James T. McCullough for permission to serve at the same time as director of the National Kittanning Bank, Kittanning, Pa., and as director of the Safe Deposit and Title Guaranty Company, Kittanning, Pa.

Approved.

Dated, April 10th, Recommending approval of the application of Mr. Henry J. Siewert for permission to serve at the same time as director of the Portage Park National Bank, Chicago, Ill., as director of the West Irving State Bank, Chicago, Ill., and as director of the Albany Park National Bank and Trust Company, Chicago, Ill.

Approved.

Dated, April 10th, Recommending approval of the application of Mr. R. P. Galloway for permission to serve at the same time as director and officer of the Midway National Bank, St. Paul, Minn., as officer and director of the Western State Bank, St. Paul, Minn., and as director of the Minnesota Transfer State Bank, St. Paul, Minn.

Approved.

Dated, April 10th, Recommending approval of the application of Mr. H. H. Bigelow for permission to serve at the same time as director and officer of the Midway National Bank, St. Paul, Minn., as director and officer of the Minnesota Transfer State Bank, St. Paul, Minn., and as director and officer of the Western State Bank, St. Paul, Minn.

Approved.

Dated, April 10th, Recommending approval of the application of Mr. M. F. Ernst for permission to serve at the same time as director and officer of the Midway National Bank, St. Paul, Minn., as director and officer of the Minnesota Transfer State Bank, St. Paul, Minn., and as director of the Twin Cities National Bank, St. Paul, Minn.

Approved.

4/11/29

REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, April 10th, Recommending approval of the application of Mr. L. C. Simons for permission to serve at the same time as officer of the Twin Cities National Bank, St. Paul, Minn., as director of the Midway National Bank, St. Paul, Minn., and as officer of the St. Anthony Park State Bank, St. Paul, Minn.

Approved.

The meeting adjourned at 1:00 p.m.

C. W. Mc Clelland  
Assistant Secretary.

Approved:

Edmund Platt  
Vice Governor.