

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, April 16, 1929 at 11:00 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on April 11th were read and approved.

The minutes of the meeting of the Executive Committee held on April 11th were read and noted, no action being required.

Telegrams dated April 11th from the Chairman of the Federal Reserve Bank of Richmond and April 12th from the Secretary of the Federal Reserve Bank of Atlanta, advising that their boards of directors at meetings on the dates stated made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegrams dated April 15th from the Secretary of the Federal Reserve Bank of Minneapolis, and April 11th from the Chairman of the Federal Reserve Bank of Kansas City, advising that their boards of directors at meetings on the dates stated made no changes in the banks' existing schedules of rates of discount and purchase.

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

Letter dated April 11th from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors at its meeting on that date made no change in the bank's existing schedule of buying rates; the letter

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also quoting the following resolution adopted by the directors with regard to the discount rate of the bank:

"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 April 12, 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 April 12th from the Chairman of the Federal Reserve Bank of Richmond, advising that although the board of directors at its meeting on April 11th made no change in the discount rate of the bank, the directors believe that, viewed from a nation wide standpoint, there is strong reason for raising the Federal Reserve rate to 6%, but do not believe that the local condition in the Fifth District would justify a raise in rate there, if in New York, where the call money market is most active, the discount rate is held to 5%.

Noted.

Letter dated April 12th from the Chairman of the Federal Reserve Bank of Chicago, advising that although no action with respect to the discount rate was taken at the meeting of the executive committee of the bank on that date, only three members of the committee were present and if there had been a practically full attendance at the meeting, there is no doubt but what action would have been taken to increase the rate of the bank to 6%.

Noted.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of New York, Richmond, Atlanta and Kansas City

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of employees for whom the directors of the banks authorized 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.

Memorandum from Counsel dated April 12th, recommending renewal of the Board's subscription to the Congressional Service of the Corporation Trust Company for the First Session of the 71st Congress, at a cost of \$100.

Upon recommendation of the Law Committee, renewal of the subscription was approved.

Letter dated April 13th from the Assistant Federal Reserve Agent at New York, advising of announcement of the consolidation on or about May 1st of the Claremont Bank, Jersey City, N. J., a member bank, and the Trust Company of New Jersey, Jersey City, a nonmember; the consolidation to be effected under the charter and title of the nonmember bank.

Noted.

Letter dated April 13th from the Governor of the Federal Reserve Bank of New York, Chairman of the Open Market Investment Committee, transmitting copy of the minutes of the meeting of the Committee held on April 1st, at which no recommendation was made to the Board; the letter also transmitting copies of reports submitted at the meeting.

Ordered circulated.

Letter dated April 12th from the President of the Society for Savings, Hartford, Conn., transmitting and requesting comment by the Board on a newspaper advertisement suggesting the deposit of funds in bank in lieu of their

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investment in securities; the advertisement reciting that even the soundest securities if bought at prices unwarranted by conditions, may be subject to heavy depreciation of principle, whereas a deposit in that bank is not subject to depreciation.

After discussion, it was voted to reply to the above letter that the Board would not care to comment upon the advertisement inasmuch as its comment might be construed as referring to the prevailing level of security prices, although publicity of the kind would undoubtedly be beneficial to banks generally since it would tend to exert an influence against the withdrawal of bank deposits for speculative investment purposes.

The Assistant Secretary then presented drafts of telegrams to the Governors and Federal Reserve Agents at those Federal Reserve banks having branches, with respect to consideration which will be given at the forthcoming currency conference to the question of joint custody of reserve stocks of Treasury issues of small size currency which may be established at branches during the turnover period and arrangements for such temporary reserve stocks of small size Federal Reserve notes as may be desired at branches; the telegram to the Federal Reserve Agents pointing out that the Board would prefer not to renew Assistant Federal Reserve Agents at the Branches, even for a temporary period, and inquiring whether it would be feasible to have Branch Directors residing in those cities where reserve stocks of Federal Reserve notes may be desired designated temporarily as Acting Assistant Federal Reserve Agents, as is now done at Jacksonville.

Upon motion, the telegrams were approved.

Letter dated April 13th from the Assistant Federal Reserve Agent at Minneapolis, requesting permission to make an examination, jointly with State

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authorities, of the State Bank of Madelia, Minn., without assessing the cost of the examination against the member bank; the letter stating that the institution has been a source of anxiety since it was practically compelled to absorb the First National Bank of Madelia some time ago, which action was considered necessary in order to save the banking situation at Madelia.

After discussion, the Assistant Secretary was directed to advise that if the Federal Reserve Examiners are to take part in a regular joint examination of the bank, their services should be paid for, but if they are merely to conduct a credit investigation at the time the examination is made by the State Authorities, the Board will consider waiving charges in connection with such investigation.

Letter dated April 13th from the Assistant Federal Reserve Agent at Minneapolis, requesting permission to make an examination of the Farmers State Bank of Fullerton, North Dakota, without assessing the cost of the examination against the member bank; the examination being considered necessary due to the fact that the state bank has taken over certain assets and assumed certain liabilities of the First National Bank of Fullerton, which has gone into voluntary liquidation.

After discussion, upon motion, it was voted to advise the Assistant Federal Reserve Agent at Minneapolis that if an examination is to be made of the state member bank, the cost thereof must be assessed against the bank.

Memorandum from Counsel dated April 11th on letter dated March 25th from the Federal Reserve Agent at Richmond, transmitting an inquiry by the American Bank and Trust Company, Richmond, Va., formerly the American Trust Company of Richmond, as to the proper interpretation of the special condition of membership imposed upon the bank at the time of its admission to the Sys-

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tem, that except with the permission of the Federal Reserve Board it should not exercise certain unusual powers which it has under its charter.

After discussion, during which the Board concurred in the interpretation placed by Counsel upon the special condition of membership referred to, in relation to the several powers covered thereby, it was voted to advise the Federal Reserve Agent at Richmond in accordance with Counsel's memorandum.

The Assistant Secretary then submitted, at the request of the Undersecretary of the Treasury, a revision of the proposed letter to the Chairman of the Committee on Banking and Currency of the Senate, for the signature of the Secretary of the Treasury, regarding S. 5723, to amend Section 7 of the Federal Reserve Act, relating to the distribution of the earnings of the Federal Reserve banks, and Section 18, providing for the retirement of national bank note circulation.

After discussion, it was voted that the Vice Governor advise the Undersecretary of the Treasury that although certain members of the Board are not necessarily opposed to the proposition of increasing the participation of member banks in the earnings of the Federal Reserve banks, there is no objection to the Secretary of the Treasury transmitting the proposed letter as an expression of his own opinion.

On this motion, Messrs. James and Cunningham voted "no".

Letter dated April 13th from the Governor of the Federal Reserve Bank of New York, confirming advice of an advance made to the Reichsbank against a shipment of \$6,437,076.74 of gold consigned to the Federal Reserve bank on April 11th, for the transit time of the shipment only and in the amount of 95% of the value of the gold, with interest at the rate of 5%; the letter also summarizing recent gold and exchange movements affecting the Reichsbank.

Ordered circulated.

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Letter dated April 13th from the Governor of the Federal Reserve Bank of Chicago, transmitting copy of letter addressed to the Managing Director of the Detroit Branch, to be submitted to the Branch board of directors, with regard to the heavy and continuous borrowing of the First National Bank of Detroit; the letter to the Board commenting generally upon the reduction in borrowings of member banks in Chicago and Milwaukee and the expectation of substantial liquidation in Detroit.

Ordered circulated.

Mr. James referred to the apparently unsatisfactory cooperation which the Federal Reserve Bank of Philadelphia is receiving from its member banks in dealing with the present credit situation and expressed the opinion that a letter on the subject should be addressed to the board of directors of the Bank for consideration at their regular meeting tomorrow.

After discussion, upon motion by Mr. James, it was voted to address the following letter to the Chairman of the Philadelphia bank, Mr. Platt voting "no":

"For some time past, the Federal Reserve Board has been concerned about several frequent borrowers that you have in your district. It is the view of the Board that the Philadelphia Bank has not accomplished results, in connection with the suggestion of the Board contained in its letter of February 2nd, comparable to those shown by most of the other Federal reserve banks. The favorable results obtained in most of the Federal reserve districts were rather interpreted by the Board as meaning that the Federal reserve banks were getting very good cooperation from the borrowing banks in their districts. This, however, has not been true in the Third District. The Board, therefore, is prompted to request that your Directors consider the matter at their meeting tomorrow and advise it as to the reasons for the apparent failure of your Bank to obtain a reasonable cooperation from your member banks."

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"Do your Directors feel that these reasons are good and sufficient, and are they of the opinion that every reasonable practicable method has been employed and exhausted by your bank to protect its credit facilities against diversion into channels not contemplated by the Federal Reserve Act?

An early reply to this letter from your Board of Directors will be appreciated."

REPORTS OF STANDING COMMITTEES:

Dated, April 11th, 12th, 15th, 16th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, April 12th, 13th, 15th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, April 11th, Recommending approval of the application of Mr. Harry M. Lewis for permission to serve at the same time as director of the Lafayette National Bank of Brooklyn, N. Y., and as director of the Unity State Bank, Brooklyn, N. Y. Approved.

Dated, April 15th, Recommending approval of the application of Mr. Nathan Rieger for permission to serve at the same time as director and officer of the Home Trust Company, Kansas City, Mo., as director and officer of the National Bank of North Kansas City, North Kansas City, Mo., and as director of the Stock Yards National Bank, Kansas City, Mo. Approved.

Dated, April 15th, Recommending approval of the application of Mr. G. A. Sievers for permission to serve at the same time as director and officer of the Home Trust Company, Kansas City, Mo., and as director of the National Bank of North Kansas City, North Kansas City, Mo. Approved.

Dated, April 15th, Recommending approval of the application of Mr. August Heckscher for permission to serve at the same time as director of the Empire Trust Company, New York, N. Y., as director of the Liberty National Bank and Trust Company in New York, N. Y., and as director of the Bank of Huntington, Huntington, Long Island, N. Y. Approved.

The meeting adjourned at 12:30 p.m.

C. W. Mc Clelland
Assistant Secretary.

Approved: Edmund Platt
Vice Governor.