

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, April 18, 1929 at 11:30 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 17th were read and approved.

The Vice Governor reported that he communicated yesterday afternoon with Mr. Wetmore, President of the Federal Advisory Council, who advised him that arrangements have been made for the Council to meet in Washington tomorrow. Mr. Wetmore stated that the meeting will be attended by all members except Mr. Lipman of the Twelfth Federal Reserve District.

Telegrams dated April 17th from the Assistant Federal Reserve Agent at Philadelphia and the Chairman of the Federal Reserve Bank of St. Louis, advising that their boards of directors at meetings on that date made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated April 17th from the Assistant Federal Reserve Agent at Philadelphia, advising that the board of directors of the bank at its meeting on that date considered the Board's letter of April 16th and appointed a committee of three to draft a reply thereto; the reply to be further considered at a special meeting of the directors called for next Wednesday, after which it will be forwarded to the Board.

Noted.

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Report of Committee on Salaries and Expenditures on letter dated April 15th from the Chairman of the Federal Reserve Bank of Atlanta, requesting approval of the action of the board of directors of that bank in voting to grant the Governor a leave of absence of four weeks with pay, in addition to the regular annual vacation period, in order to allow him to make a trip abroad; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Committee on District #9 and Committee on Salaries and Expenditures on letter dated April 15th from the Governor of the Federal Reserve Bank of Minneapolis, advising of acceptance by the directors, effective May 1st, of the resignation of Mr. B. V. Moore, Deputy Governor of the Bank, and the election as Deputy Governor of Mr. Harry I. Ziemer, at present an Assistant Cashier, with an increase in salary from \$5,500 to \$7,500 per annum; the Board's Committee recommending approval of the salary fixed for Mr. Ziemer as Deputy Governor.

Approved.

Letter dated April 16th from the Federal Reserve Agent at Chicago, advising that a plan for the consolidation of the Dime Savings Bank and the Merchants National Bank, both of Detroit, Michigan, into a new institution to be known as the Bank of Michigan, has been approved by the directors of both banks and will be voted on by the stockholders of the institutions on May 21st.

Noted.

Memorandum dated April 18th from the Director of the Division of Research and Statistics, recommending the appointment of Mr. Carl F. Hermann

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as translator and statistical clerk in the Division, at a salary of \$2,400 per annum, effective as soon as arrangements can be made.

Approved.

Letter dated April 17th from the Assistant Federal Reserve Agent at New York, advising that the directors of the Municipal Bank and Trust Company and the Bank of United States, both of New York City, have agreed to a merger of the two institutions, which it is understood will be consummated under the charter and name of the Bank of United States; the letter advising that after the prospective merger the Bank of United States will have fifty-seven branches in operation and six more in contemplation, all within the limits of the city of New York.

Noted.

Letter dated April 17th from the Assistant Federal Reserve Agent at New York, advising that the directors of the Nassau National Bank of Brooklyn, the Blair National Bank of New York and the Traders National Bank of Brooklyn have agreed to the consolidation of their respective institutions with the Bank of America National Association of New York City.

Noted.

Report of Committee on Examinations on letter dated April 12th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the Aurora State Bank, Aurora, Oregon, for approval of its action in taking over, at the close of business on March 23rd, the deposit liabilities and sufficient assets to balance of the First National Bank of Aurora; the Board's Committee also recommending approval.

Noted, with approval.

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Report of Committee on Examinations on letter dated April 15th from the Assistant Federal Reserve Agent at St. Louis, referring to the action of the Board on February 15, 1929, in postponing until December 1929 the proceedings instituted by it looking toward cancellation of membership of the Lawrence County Bank, Walnut Ridge, Arkansas, upon condition that the bank effect a reduction of \$50,000 in the liabilities of its directors, officers and their interests by March 15, 1929; the Assistant Federal Reserve Agent transmitting a statement of the progress made by the bank between January 15th and April 10, 1929 and recommending, in view of this improvement and the efforts on the part of the bank to put it in good condition, that the Board's hearing be continued to the date in December fixed on February 15th. 4

The recommendation of the Assistant Federal Reserve Agent, being concurred in by the Committee on Examinations, was approved.

Memorandum from Counsel dated April 17th, approved by the Law Committee, with reference to the Clayton Act application of Mr. Andrew W. Johnson, involving the First National Bank in St. Louis and the St. Louis Union Trust Company, both of St. Louis, Mo.; Counsel expressing the opinion that the St. Louis Union Trust Company does not come within the prohibitions of the Clayton Act, under the amendment of March 2, 1929, exempting institutions which do no commercial banking business, since it does not receive deposits and has no loans on commercial paper, transacting nothing but trust business. He submitted draft of a letter to the Assistant Federal Reserve Agent at St. Louis, advising that Mr. Johnson's application, therefore, is not necessary.

Upon motion, Counsel's memorandum and the letter submitted therewith were approved.

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Memorandum from Counsel dated April 10th, approved by the Law Committee, with reference to advances made by the First Federal Foreign Banking Corporation to subsidiaries in the Argentine and Brazil; Counsel submitting draft of a letter to the First Federal Foreign Banking Corporation, in reply to an inquiry made by it, advising that the Board does not regard such advances as a part of the investment of the Corporation in the stock of other corporations, which is limited by Section 25(a) of the Federal Reserve Act to an amount not in excess of 10% of the Corporation's own capital and surplus (or 15% in the case of banking corporations) except with the approval of the Federal Reserve Board, nor does it consider such advances as coming within the provisions of Section XV of the Board's Regulation K, limiting the total liability to such a Corporation of any person, company, firm or corporation for money borrowed to 10% of the amount of the Corporation's subscribed capital and surplus.

Upon motion, the letter submitted by Counsel was approved.

Report of Committee on Salaries and Expenditures dated April 17th, on letter dated April 12th from Mr. J. W. Walden, Jr., of the Federal Reserve Bank of Richmond, transmitting report of the meeting of the Committee on Classification of Personnel at Federal Reserve Banks held in Chicago on April 8th; the Board's Committee recommending approval of the report and submitting draft of a letter to all Federal Reserve banks, transmitting copy of the report and requesting that in accordance therewith each bank prepare and submit to the Board for approval a job analysis covering each position in the bank, including branches, if any, on a form to be furnished by the Committee on Classification of Personnel.

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Upon motion, the report of the Committee on Classification of Personnel of Federal Reserve Banks was approved and the letter to all Federal Reserve Banks, submitted by the Board's Committee, was approved and ordered transmitted.

Memorandum from Counsel dated April 8th, approved by the Law Committee, with further reference to the use of the words "Federal Reserve" on a form of chattel mortgage printed by a firm in Des Moines, Iowa, which in a letter to the Federal Reserve Agent at Chicago has called attention to the fact that the form is being used extensively in certain sections of the country and has been approved by the Federal Reserve Bank of Dallas; Counsel submitting draft of a letter to the Federal Reserve Agent at Chicago, requesting that he address a further communication to the firm in question, requesting cooperation in ending the use of the words "Federal Reserve" on the form and calling attention to the fact that at the time the form and the action of the Federal Reserve Bank of Dallas came to the attention of the Board in 1921, it took the matter up with the Dallas bank and expressed its disapproval, advising all other Federal Reserve banks accordingly.

Upon motion, the letter to the Federal Reserve Agent, submitted with Counsel's memorandum, was approved.

Memorandum from Counsel dated April 15th, with respect to a bill which the Treasury Department proposes to recommend to Congress and has submitted to the Board, which would amend the present statutes so as to authorize the issuance of Treasury bills, as well as certificates of indebtedness now authorized, by the Secretary of the Treasury upon such conditions as he may prescribe, and would also provide that where the words "bonds and notes of the United States", "bonds or notes of the government of the United States"

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or "bonds or notes of the United States" are used in the Federal Reserve Act, as amended, they shall be held to include Treasury certificates and bills issued under authority of the proposed amendment; Counsel submitting draft of a letter to the Undersecretary of the Treasury, advising that the Board feels that the provision by which Treasury bills would be placed on the same basis in the Federal Reserve Act as bonds and notes is desirable and, accordingly, has no objection to its inclusion in the proposed amendment authorizing the issuance of Treasury bills.

A discussion ensued during which the Undersecretary of the Treasury was invited into the meeting for the purpose of acquainting the Board generally with the purposes of the proposed amendment authorizing the issuance of Treasury bills. He stated that these bills would be discounted, at first in small amounts, in connection with heavy interest payments and would take the place of an equal amount of certificates or notes which would otherwise be issued under the present law. He stated that they would result in no increase in the total outstanding amount of short term government obligations and would have three particular advantages to the Treasury. They could be discounted at the time of Treasury needs, thereby avoiding the necessity of borrowing by certificate in advance of needs. They would enable the Treasury to get closer to the market in the matter of the rate on its borrowings, because the market itself would fix the rate. At the present time, in connection with the quarterly issues of certificates the question of rate is entirely a matter of judgment. The bills would be discounted for cash, thereby doing away with the practice of banks subscribing to certificates for payment by credit, then selling the certificates, in some instances, even before they are actually issued.

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At the conclusion of the discussion, Mr. Mills left the room and, upon motion, it was voted to interpose no objection to provision in the proposed bill for a change in the meaning of the term "bonds and notes" of the government, in the Federal Reserve Act, so as to include certificates of indebtedness and the proposed Treasury bills.

Report of the Law Committee dated April 17th, prepared in accordance with the action at the meeting on March 5th, making recommendations with respect to the various proposed amendments to the Federal Reserve Act which have been considered by the Board from time to time, as listed in the memorandum addressed to the Law Committee by the Board's General Counsel under date of December 17, 1928.

During the discussion which ensued, it was, upon motion, voted that letters be addressed to the Chairmen of the Banking and Currency Committees of the Senate and House of Representatives, submitting and urging enactment at the earliest possible date of an amendment to Section 9 of the Federal Reserve Act to permit state member banks of the Federal Reserve System to establish foreign branches.

After brief discussion, it was agreed that action on the other amendments set out in the report of the Law Committee should be deferred.

Mr. Cunningham then called up for consideration by the Board the matter on which action was deferred at the meeting on April 9th, namely, 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.

A general discussion of the proposed amendment ensued, but no action was taken.

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At 1:00 p.m., the meeting recessed and reconvened at 3:15 p.m., the same members being present as attended the morning session and in addition the Secretary of the Treasury, who took the Chair.

The Vice Governor reported a telephone conversation with the Governor of the Federal Reserve Bank of New York who informed him that the directors of the bank at their meeting today again voted to establish a rediscount rate of 6%, with the understanding, however, that their action is predicated upon approval or disapproval by the Federal Reserve Board today. He stated that Governor Harrison informed him that the action of his directors was based upon the conditions set out in his letter to the Board of April 9th and in another letter dated April 17th which the Vice Governor then presented to the Board and the Secretary read. The Vice Governor also presented letters dated April 16th and 17th from the Governor of the New York bank concerning gold movements from the Reichsbank, which when entirely consummated will total \$99,063,000 but which, according to the letter dated April 17th will be offset in the amount of \$52,700,000 through repurchase by the Bank of France of that amount which was transferred to the Reichsbank from the gold deposit of the Bank of France with the Federal Reserve bank, against which the Reichsbank delivered gold to the Bank of France in Paris.

A general discussion ensued during which the Chairman stated that although he feels that the discount rate of the New York bank should be advanced, there is question as to whether or not the Board should approve the action of the New York directors today in view of the fact that the Federal Advisory Council will meet here tomorrow and the question of rates will be fully discussed.

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At the conclusion of the discussion, Mr. Platt moved that the Board approve the action of the directors of the Federal Reserve Bank of New York in voting to establish a rediscount rate of 6% on all classes of paper of all maturities effective tomorrow, April 19th.

Mr. Platt's motion, being put by the Chair, was lost, the members voting as follows:

The Chairman, "aye"
Mr. Platt, "aye"
Mr. Hamlin, "no"
Mr. James, "no"
Mr. Cunningham, "no"
Mr. Pole, "no"

After a further brief discussion, the Secretary of the Treasury left the meeting and the Vice Governor took the Chair.

The Board then resumed discussion of the proposed Regulation M, Series of 1929, submitted by Counsel with his memorandum of March 23rd in accordance with the resolution adopted by the Board on March 21st.

At the conclusion of the discussion, Mr. James moved that before taking action on the proposed Regulation it be submitted by the Board to the Federal Advisory Council for consideration and such suggestion or recommendation as the Council may care to make.

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

REPORTS OF STANDING COMMITTEES:

Dated, April 17th, Recommending approval of the application of Mr. J. S. Brooks for permission to serve at the same time as director of the Hamilton State Bank, Pittsburgh, Pa., and as officer of the Third National Bank of Pittsburgh, Pa.

Approved.

Dated, April 17th, Recommending approval of the application of Mr. Edward Shearson for permission to serve at the same time as director of the Chatham Phenix National Bank and Trust Company, New York, N. Y., as director of the Central Farmers Trust Company, West Palm Beach, Fla., and as director of the First National Bank in Palm Beach, Fla.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, April 17th, Recommending approval of the application of Mr. William P. Witherow for permission to serve at the same time as director of the First National Bank at Pittsburgh, Pa., and as director of the Peoples Savings and Trust Company, Pittsburgh, Pa.

Approved.

Dated, April 18th, Recommending approval of the application of Mr. E. E. Barry for permission to serve at the same time as director of the First National Bank, Clifton Heights, Pa., as director of the Lansdowne Bank and Trust Company, Lansdowne, Pa., and as director of the Ridley Park National Bank, Ridley Park, Pa.

Approved.

Dated, April 18th, Recommending approval of the application of Mr. Alfred L. Dennis for permission to serve at the same time as officer and director of the Mount Prospect National Bank, Newark, N. J., and as director of the Sussex and Merchants National Bank, Newton, N. J.

Approved.

The meeting adjourned at 5:00 p.m.

G. M. Mc Clelland
Assistant Secretary.

Approved:

Edmund Platt
Vice Governor.