

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, April 23, 1929 at 11:00 a.m.

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

The Vice Governor reported that Mr. McGarrah, Federal Reserve Agent and Chairman of the board of directors of the Federal Reserve Bank of New York, is back at his desk and yesterday inquired whether the Board would be interested in hearing a report of his recent trip abroad. Mr. Platt stated that he advised Mr. McGarrah that he was sure the Board would be glad to get first hand information from him and that Mr. McGarrah will be in Washington tomorrow morning to meet with the Board.

The minutes of the meetings of the Federal Reserve Board held on April 18th and 19th were then read and approved.

Draft of letter to Mr. Frank O. Wetmore, President of the Federal Advisory Council, prepared in accordance with the action taken by the Board at its meeting on April 19th, in voting to request the Council to explain just what is meant by "correcting the present situation of the money market" as used in the resolution submitted by the Council on April 19th, in order that the Board, before acting on the resolution, may be fully advised, and its records may disclose, just what objective the Council had in mind in recommending "that the Federal Reserve Board permit the Federal Reserve banks to raise their rediscount rates immediately and maintain a rate consistent with the cost of commercial credit.

4/23/29

-2-

After a brief discussion, regarding the recommendation of the Council, Mr. James moved approval of the letter as submitted.

Carried, Mr. Platt voting "no".

The Vice Governor referred to the resolution adopted by the Board on April 19th, taking under review the action of the Executive Committee of the Federal Reserve Bank of Chicago in establishing a rediscount rate of 6 per cent, including a phrase that during the interim the rate of the bank is determined to be 5 per cent. This resolution, he stated, appeared to indicate a new policy, at least implying that without the phrase "during the interim has determined the rate of the bank to be 5 per cent", the rate of 6 per cent established by the Executive Committee of the Bank would become effective.

Letters dated April 19th and 22nd from the Assistant Deputy Governor of the Federal Reserve Bank of New York, supplementing previous letters from the Governor of the Bank concerning recent gold movements of the Reichsbank; the first letter advising that an advance was made on April 19th against an additional shipment of gold valued at \$8,141,830.03 which was leaving Germany on that date on the S. S. Hamburg, the terms and conditions of the advance being identical with those on previous shipments. In the second letter, it was stated that the Federal Reserve bank has now purchased from the Reichsbank since March 6th, a total of \$110,994,000 gold and with pending transactions the Reichsbank's total loss of gold since that date amounts to \$148,547,000, with the possibility of a continuation of the movement since German exchange is considerably below the gold import point of this country.

After discussion, upon motion, the advance made by the Federal Reserve Bank of New York to the Reichsbank on the consignment of gold referred to was approved, and the other information contained in the letters was noted.

4/23/29

-3-

Memorandum dated April 18th from the Chief of the Division of Bank Operations, submitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of March and during the three months' period ending March 31st.

Ordered circulated.

Memorandum from Counsel dated April 20th, recommending publication in the May issue of the Federal Reserve Bulletin of the recent ruling of the Board that funds held by a member bank against travelers' checks outstanding are deposits against which reserves must be carried.

Approved.

Memorandum dated April 18th from the Fiscal Agent, advising that in accordance with the directions of the Board on April 6th, a special assessment of \$750,000 was levied against the Federal Reserve banks to cover a part of the cost of printing Federal Reserve notes during the months of April, May and June, which has been paid and the amount thereof transferred to the Bureau of Engraving and Printing.

Noted.

Memorandum dated April 18th from the Fiscal Agent, submitting letter from the General Accounting Office, calling attention to recent transfers of funds from the Board's special fund to the appropriations of the Bureau of Engraving and Printing, and pointing out the regulations of that office that payments for services rendered or supplies furnished by one department of the government to another shall be made by a disbursing officer's check; the Fiscal Agent pointing out that transfers are necessary because of the fact that his balance has been limited by the Board to the amount of his bond which makes

4/23/29

-4-

it impractical to settle large accounts by check. In his memorandum, the Fiscal Agent pointed out that his bond is larger than is required of disbursing clerks in most of the departments, although such other officers are permitted to carry balances in some instances of several million dollars, and requested, therefore, that he be given permission to carry a balance of \$500,000, without change of bond, in order that the directions of the General Accounting Office may be complied with.

After discussion, upon motion, it was voted to permit the Board's Fiscal Agent to carry a balance not to exceed \$500,000 under his present bond in the amount of \$40,000.

Report of Committee on Examinations on memorandum dated April 11th from the Comptroller of the Currency, recommending approval of an application of the National Bank of Commerce in St. Louis, Mo., for permission to reduce its capital from \$10,000,000 to \$350,000, with the understanding that such reduction shall not be effective until the Mercantile Trust Company of St. Louis, through consolidation or otherwise, has assumed all of the liabilities of the National Bank of Commerce to its depositors and other creditors; the proposed reduction being in connection with the reorganization, unification and consolidation of the business interests and properties of the two institutions, the plan for which contemplates transfer by the national bank to a state institution of all of its assets except an amount equal to its reduced capital and the assets of its various trusts, the state institution to assume all liabilities of the national bank and, thereupon, consolidate with the Mercantile Trust Company of St. Louis. The Committee on Examinations concurred in the recommendation of the Comptroller of the Currency.

4/23/29

-5-

Upon motion, the reduction in capital was approved as recommended by the Comptroller.

Report of Committee on Examinations on memorandum dated March 7th from the Comptroller of the Currency, recommending that if and when the Nokomis National Bank and the Farmers National Bank of Nokomis, Illinois, have consolidated under the charter and title of the Nokomis National Bank, that institution be permitted to reduce its capital stock from \$100,000 to \$75,000; the Committee submitting a memorandum from the Deputy Comptroller of the Currency, advising that any assets of either bank not necessary to provide its contribution to the consolidated bank are to be set aside and trusteeed for a period of two years, in order to protect the consolidated bank against losses upon assets acquired in the consolidation, and recommending approval of the reduction in capital with that understanding.

Approved.

Letter dated April 17th from the Federal Reserve Agent at Kansas City, advising that Mr. N. R. Oberwortmann, an Examiner in his Department, recently has had a substantial part of his time free for other work and has been used on bank operating work of various kinds; as it is felt the value of his services to the bank will be enhanced by giving him an official title, the Agent inquired whether the Board sees any objection to Mr. Oberwortmann's appointment as an Assistant Cashier, with the understanding that the duties he will be assigned as such, will be in addition to his duties as Examiner.

After discussion, upon motion, the above letter was referred to the Committee on District #10 for recommendation after inquiry as to just how Mr. Oberwortmann's time and responsibility would be divided between the bank and the Federal Reserve Agent.

4/23/29

-6-

Report of Committee on Examinations on letter dated April 20th from the Federal Reserve Agent at Atlanta, recommending approval of an application of the First National Bank of Lake Charles, Louisiana, for permission under Section 13 of the Federal Reserve Act to accept drafts and bills of exchange drawn upon it up to 100% of its unimpaired capital stock and surplus; Mr. Platt, Chairman of the Committee, recommending approval but concurring with Mr. Cunningham, the other member, in a suggestion that the application be discussed in the light of the size of the bank which has a capital of \$200,000 and surplus of \$75,000.

For the information of the Board, the Assistant Secretary submitted a partial list of banks, comparable in size to the applicant, which have previously been granted the 100% acceptance privilege by the Board.

After discussion, upon motion, the application was referred to the Committee on District #6.

The Assistant Secretary then presented draft of a telegram to all Federal Reserve Agents, advising of progress being made in the printing of Federal Reserve notes of the new small size currency and that the Board will be prepared within a few days to begin shipments of \$5 and \$10 notes to the head offices of all Federal Reserve banks, to be followed by shipments of other denominations as stocks accumulate; the telegram requesting the Federal Reserve Agents to requisition by wire, confirming by regular order, for head office and each branch separately, the amount of each denomination which it is desired to have on hand on July 1st, the issue date for the new size currency.

Noted, with approval.

Draft of letter to the Governors of all Federal Reserve banks, on the

4/23/29

-7-

subject of the discount on Canadian currency in this country, prepared by the Chief of the Division of Bank Operations after consultation with representatives of the Department of Commerce, in accordance with instructions given him by the Governor of the Board; the letter requesting comment on a proposal for handling the situation, outlined therein, which would contemplate acceptance of Canadian currency by Federal Reserve banks from member banks along with other currency shipments at par, less the expense of actually effecting its redemption. The letter pointed out that until replies to the letter are received from the various Federal reserve banks, no action will be taken by the Board to refer the subject matter thereof to the Committee appointed some time ago for the purpose of making a study of it.

After discussion, upon motion, the proposed letter was approved.

Memorandum from Counsel dated April 22nd, submitting draft of letter to the Governors of all Federal Reserve banks, referring to the resolution adopted by the recent Conference of Governors in its consideration of the action of the Conference of Counsel on the question of the policy to be pursued by Federal Reserve banks in asserting rights on behalf of depositors of unremitted for cash letters against receivers of insolvent member banks; the letter requesting that in accordance with the resolution each Federal Reserve bank advise the Board whether or not there are any local arrangements in its District which might be affected by the proposed amendments to Regulation "J", recommended in the majority report of the Conference of Counsel, which was approved in substance by the Governors' Conference, and which it is desired that the Board take into consideration before adopting such amendments.

Upon motion, the letter submitted by Counsel was approved.

4/23/29

-8-

The Assistant Secretary then presented a letter dated April 17th from the Secretary to the President, transmitting by direction of the President, a letter addressed to him by Mr. Frederick M. Tobin, President of the Rochester Packing Company, Inc., Rochester, N. Y. protesting against what he understands to be the policy of the Federal Reserve Board in dealing with the present credit situation.

The above letter was read to the Board by the Assistant Secretary, and noted, no action being deemed necessary or advisable in view of Mr. Tobin's apparent misinterpretation of the attitude of the Board.

Letter dated April 12th from the Chairman of the Federal Reserve Bank of Dallas, with respect to discussion at a recent meeting of the board of directors of that bank of the Board's ruling relative to the payment of per diem to directors of Federal Reserve banks while attending directors' meetings, which limits such payments to those residing outside of a radius of fifty miles from the Federal Reserve bank city; the letter particularly citing the cases of one director residing thirty-two miles from Dallas and two others, residents of Dallas who, on occasion, have returned to that city for the purpose of attending directors' meetings during business absences.

Referred to the Committee on Salaries and Expenditures.

Mr. Cunningham then submitted draft of a letter to all Federal Reserve banks on the subject of reports of member banks borrowing from a Federal Reserve bank; the letter requesting, in lieu of monthly reports of member banks borrowing continuously in excess of capital and surplus during the report month, quarterly reports showing capital and surplus and average

4/23/29

-9-

daily borrowings of member banks that were substantially constant borrowers during the quarter, that is, banks borrowing four-fifths of the time (on seventy-three or more days of the quarter) as well as the number of days on which such member banks were in debt to the Federal Reserve bank during the last four quarterly periods. Mr. Cunningham stated that the question of the revision of the report form was referred to the Governor some time ago but that the Governor apparently was unable to get around to the matter before leaving on his trip.

After discussion, upon motion, the letter submitted by Mr. Cunningham was approved.

A general discussion then ensued with respect to the general credit situation, particularly as to action which should be taken by the Board in seeking fuller cooperation of the Federal Reserve banks and member banks in the Board's policy of prohibiting the misuse of the credit facilities of the Federal Reserve System, as outlined in its letter to all Federal Reserve banks under date of February 2nd. Particular reference was made to a suggestion that letters be addressed to the various Federal Reserve banks with regard to the borrowings of the thirty-seven or so large member banks which have been continuously in debt to their Federal Reserve bank for a considerable period in an amount of \$5,000,000 or more while, at the same time, carrying heavy investments in loans to brokers and dealers; these banks being indebted to their Federal Reserve banks in the aggregate amount of \$450,000,000 with loans to brokers and dealers amounting to approximately \$650,000,000.

Mr. Cunningham stated that he has requested compilation of detailed information regarding three continuously large borrowers in Philadelphia which, in his opinion, should be given consideration in connection with such reply as

4/23/29

-10-

the directors of the Federal Reserve Bank of Philadelphia may make to the Board's letter of April 16th.

Mr. Miller informally submitted tentative draft of a letter to the Federal Reserve banks which was discussed but on which no action was taken.

Mr. Hamlin presented a letter addressed to him by Mr. Frederic William Wile, transmitting an offer to the Board by officials of the Columbia Broadcasting Company of the use of the radio broadcasting system of that Company for a reply to the recent attack on the Board made by Mr. W. C. Durant of New York City.

After brief discussion, Mr. Hamlin was requested to express the Board's appreciation of the offer and advise that it will be kept in mind by the Board.

Memorandum from Counsel dated April 23rd, submitting draft of reply to telegram dated April 22nd from the Assistant Federal Reserve Agent at San Francisco, advising that the First National Bank in Berkeley, Cal. contemplates selling its trust business to the Bank of America of California, and inquiring whether the Board has assumed jurisdiction in such cases; the proposed reply stating that the Board has not assumed such jurisdiction and deems the matter to be governed entirely by state law.

Upon motion, the reply submitted by Counsel was approved.

Memorandum dated April 19th from Counsel, submitting for the information of the Board, a copy of H. R. 118, a bill to amend the Federal Reserve Act and national banking laws so as to fix the rediscount rate at 3%; provide for interest at the rate of 2% on deposits of member banks, except those made solely for purposes of exchange or collection; prohibit member banks from keeping on deposit in any other bank any sums upon which interest is payable; prohibit National banks

4/23/29

-11-

from making loans the proceeds of which are to be used for investments of a purely speculative character and prohibit National banks from charging more than 5% interest on loans or discounts made by them.

Noted.

REPORTS OF STANDING COMMITTEES:

- Dated, April 23rd, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, April 20th, Recommending action on applications for fiduciary powers
22nd, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, April 19th, Recommending approval of the application of Mr. Henry J. Bowerfind for permission to serve at the same time as director of the Old National Bank, Fort Wayne, Ind., as director of the Old National Bank, Bluffton, Ind., and as director of the Tri State Loan and Trust Company, Fort Wayne, Ind.
Approved.
- Dated, April 19th, Recommending approval of the application of Mr. F. William Hitzeman for permission to serve at the same time as officer and director of the Old National Bank, Bluffton, Ind., and as officer of the Old National Bank, Fort Wayne, Ind.
Approved.
- Dated, April 19th, Recommending approval of the application of Mr. Edward M. Wilson for permission to serve at the same time as director of the Old National Bank, Bluffton, Ind., as director of the Old National Bank, Fort Wayne, Ind., and as director of the Citizens Trust Company, Fort Wayne, Ind.
Approved.
- Dated, April 19th, Recommending approval of the application of Mr. J. J. Deaner for permission to serve at the same time as director and officer of the Central National Bank, Okmulgee, Okla., and as director of the First National Bank and Trust Company, Tulsa, Okla.
Approved.
- Dated, April 19th, Recommending approval of the application of Mr. Henry C. Paul for permission to serve at the same time as director and officer of the Old National Bank, Bluffton, Ind., as director and officer of the Old National Bank, Fort Wayne, Ind., and as director of the Tri State Loan and Trust Company, Fort Wayne, Ind.
Approved.

4/23/29

-12-

REPORTS OF STANDING COMMITTEES:

Dated, April 22nd, Recommending approval of the application of Mr. Charles Hall, for permission to serve at the same time as director of the American National Bank, Portland, Ore., and as officer of the United States National Bank, Eugene, Ore.

Approved.

Dated, April 22nd, Recommending approval of the application of Mr. A. Rex Flinn for permission to serve at the same time as director of the Forbes National Bank, Pittsburgh, Pa., and as director of the Colonial Trust Company, Pittsburgh, Pa.

Approved.

Dated, April 22nd, Recommending approval of the application of Mr. Frank H. Cutshall for permission to serve at the same time as director and officer of the Old National Bank, Bluffton, Ind., as director and officer of the Old National Bank, Fort Wayne, Ind., and as director of the Citizens Trust Company, Fort Wayne, Ind.

Approved.

The meeting adjourned at 1:15 p.m.

C. W. McAllister
Assistant Secretary.

Approved:

Edmund Platt
Vice Governor.