

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, May 8, 1929 at 10:30 a.m.

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

The Assistant Secretary presented draft of a letter addressed to Mr. Newton D. Baker, prepared by Mr. Hamlin in accordance with the instructions of the Board at the meeting yesterday. A discussion ensued during which the letter was amended and approved in the following form:

"Referring to your conference with the Board on Friday, May 3rd, with reference to the power of the Board 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, there is enclosed for your information an extract from the minutes of the Board meeting on that date, which contains the Secretary's record of the opinion which you expressed orally to the Board. It will be appreciated if you would look this over and advise the Board whether there is anything in it that you want to amend in order to make it a substantially correct version of what you stated.

The Board understands that you concur generally in the conclusions expressed in the opinion rendered by the Board's Counsel on this subject under date of March 7, 1929. The Board does not desire any elaborate or reasoned opinion at this time, but it would like to have a line from you to this effect."

Further discussion then ensued regarding the fee which should be paid Mr. Baker for his services in the above connection, and Mr. James moved:

"That the Board approve a maximum fee of \$5,000 for Mr. Baker, for consultations and opinions upon the powers of the Board with the understanding that the fee is to be adjusted to a more reasonable figure if the work turns out to justify it and that this figure does not include litigation which may arise out of the questions involved, and further, that the Law Committee be authorized to negotiate with Mr. Baker along the above lines and report to the Board."

Carried.

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Letter dated May 6th from the Deputy Governor of the Federal Reserve Bank of New York, replying to an inquiry made by the Vice Governor in accordance with the action of the Board at its meeting on May 3rd, with regard to the recent bill transactions of the New York bank which resulted in the substantial increase shown by the last published statement in the amount of the System's bill holdings.

Ordered circulated.

Telegram dated May 6th from the Deputy Governor of the Federal Reserve Bank of New York, advising of further increases in rate by bill dealers in New York as a result of continued increases in their portfolios, together with firmer money conditions; the telegram stating, however, that the Federal Reserve bank is not changing its minimum rates at this time.

Noted.

Telegram dated May 7th 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.

Letter dated May 6th from the Federal Reserve Agent at Cleveland, requesting temporary designation during the period of turnover of the new sized currency of Mr. T. M. Jones as Acting Assistant Federal Reserve Agent and Mr. Raymond Armor as alternate at the Pittsburgh Branch and of Mr. P. J. Faulkner as Acting Assistant Federal Reserve Agent and Mr. R. G. Johnson as alternate at the Cincinnati Branch.

Approved.

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Memorandum from Counsel dated May 7th, submitting for the information of the Board, a copy of S. 763, a bill to amend the Civil Service Retirement Act so as to provide that the provisions of the Act shall extend to all persons who were in the service of the government on the 30th day of September 1919; Counsel stating that this Act would clearly bring within the provisions of the Retirement Act all employees of the Board who were in the service on the date stated.

Noted.

Memorandum from Counsel dated May 7th, submitting draft of letter to the Federal Reserve Agent at Dallas, with reference to cancellation of membership of the Texas State Bank and Trust Company of San Antonio; the proposed letter stating that membership can not be cancelled on the grounds recommended by the Federal Reserve Agent and if there have been no other violations of the provisions of the Federal Reserve Act, the Board's regulations or the bank's conditions of membership, its membership may not be cancelled except upon six months' notice of intention to voluntarily withdraw from the System.

A discussion ensued during which Mr. James submitted the following resolution:

"WHEREAS, the Texas State Bank and Trust Company of San Antonio has ceased to function as a bank, having disposed of all of its assets except an amount sufficient to offset its capital, which under a requirement of the State Bank Commissioner, must be retained for a period of twelve months, and is now a corporation merely through compliance with the requirement of the State Bank Commissioner; and

WHEREAS, this action constitutes a change in the general character of the assets of the Texas State Bank and Trust Company of San Antonio within the meaning of the general condition under which it was admitted to membership in the Federal Reserve System;

THEREFORE BE IT RESOLVED that proceedings be instituted looking to the forfeiture of membership of the Texas State Bank and Trust Company of San Antonio in the Federal Reserve System."

Upon motion, the above resolution was adopted.

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The minutes of the meeting of the Federal Reserve Board held on May 7th were then read and approved.

Mr. James referred to a statement by Dr. Goldenweiser, quoted in the letter addressed by Mr. Platt to the Governor under date of April 27th, that he had looked into the records of the thirty-seven or so banks which have been considered by the Board as continuous borrowers and found that most of them were not by any means as continuous borrowers as had been assumed.

He moved that Dr. Goldenweiser be requested to prepare for the Board an explanation of the statement referred to.

Carried.

The Vice Governor then presented a letter dated May 7th from the Clerk of the Committee on Banking and Currency of the Senate, with reference to the two bills on which the Board has requested action at this session of Congress: one to permit state banks which are members of the Federal Reserve System to establish foreign branches, and the other, to authorize the Board to waive notice by state banks of intention to withdraw from the System; the Clerk pointing out that in view of the legislative situation at this special session of Congress, some members of the Committee feel that if the bills were reported out and placed on the calendar, the result might be discussion and debate prolonging the session which was intended to be limited to emergency measures..

At the suggestion of the Vice Governor, he was authorized to communicate with the Chairman of the Senate Committee on Banking and Currency and state that while the matter is one which the Committee knows best how to handle, there might be some advantage in having the bills referred to reported out and placed on the calendar toward the close of the special session, in order that they may receive prompt consideration when the next regular session of Congress convenes in December.

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REPORTS OF STANDING COMMITTEE:

Dated, May 8th, Recommending a change in stock at a Federal Reserve Bank as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 11:15 a.m.

C. M. McClelland

Assistant Secretary.

Approved:

Edmund Platt

Vice Governor.