

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 9, 1929 at 12:00 o'clock noon.

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

The minutes of the meeting of the Federal Reserve Board held on May 8th were read and approved.

Telegram dated May 9th from the Chairman of the Federal Bank of Richmond, 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.

Telegram dated April 8th from the Chairman of the Federal Reserve Bank of Boston, advising that the board of directors of the bank on that date confirmed the action on the discount rate of the bank taken at their meeting on April 24th; which was to establish a rediscount rate of 6% on all classes of paper of all maturities effective the first business day following that on which approved by the Federal Reserve Bank and which was taken under review by the Board at its meeting on April 25th.

After discussion, as to just what the directors of the Boston bank had in mind in "confirming" their previous action and as to what, if any, further action is required by the Board, the Assistant Secretary was instructed to make appropriate inquiry of the Boston bank.

Letter dated May 7th from the President of the Federal Advisory Council, replying to the letter addressed to him under date of April 23rd, and advising that the Council in using the phrase "correcting the present situation of the

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money market" in the resolution adopted at its recent meeting undoubtedly meant that it desired the rediscount rates to be such that they would be either equal to or higher than the rates charged by member banks to their choice customers; the letter also stating that 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" the Council desired that the rates be such that it would be impossible for member banks to borrow from Federal Reserve banks and lend out such borrowed sums at a profit. It was also stated that the Council feels that it is highly desirable to avoid the inconsistency which existed a year ago between open market operations and the prevailing rate on acceptances, and in a reverse way is equally bad now.

Noted.

Letter dated May 8th from the Chairman of the Federal Reserve Bank of Boston, advising that after consideration on that date of the Board's letter of May 3rd, with regard to the use of Federal Reserve credit by member banks, the Board of Directors voted that the Governor and Chairman be instructed to confer with the executives of such banks in the District as in their opinion may come within the scope of the Board's letter, presenting to them said letter and getting their opinion as to the best method of dealing with the subject as it bears on their particular situation and on the district as a whole; the letter stating that the results of these interviews will be sent to the Board in the near future.

Noted.

Letter dated May 7th from the Chairman of the Federal Reserve Bank of Atlanta, acknowledging receipt of the Board's letter of May 2nd to that

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bank with further regard to the misuse of the discount facilities by certain member banks in that district which will be brought to the attention of the board of directors of the bank at its meeting on May 10th; the letter commenting upon the situation in the district and enclosing certain tabulations and previous correspondence with member banks regarding it.

Noted.

Memorandum dated May 8th prepared by the Director of the Division of Research and Statistics, in accordance with the action of the Board at its meeting yesterday, with respect to the statement by him, quoted in Vice Governor Platt's letter to Governor Young of April 27th, that he had looked into the records of the 37 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; the memorandum referring to the manner in which the list of such banks was compiled and advising that the statement referred to was to establish the fact that the banks were not necessarily all continuous borrowers and that they had not been selected on the basis of the continuity of their borrowings.

After discussion, upon motion, the memorandum was referred to Mr. James.

Memoranda dated May 8th from the Chief of the Division of Bank Operations, submitting analyses of the letters from the Chairmen of the Federal Reserve Banks of Minneapolis and Kansas City, with regard to borrowings of member banks in those districts, which were referred to him at the meetings on May 2nd and 4th, respectively.

Ordered circulated.

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The Vice Governor was called from the room and upon his return reported a telephone conversation with the Governor of the Federal Reserve Bank of New York, who advised him that the board of directors of the bank in session today again voted to establish a rediscount rate of 6%, predicated upon approval or disapproval by the Federal Reserve Board today. He stated that he discussed the matter this morning with the Secretary of the Treasury who seemed strongly of the opinion that the rate must be increased in the near future, but stated that unless there was some evidence of a change in the vote of the majority of the Board, he did not see any reason for attending the meeting.

Mr. Miller then moved that the Federal Reserve Bank of New York be advised that the Board has received the advice of the action of the directors of the bank in voting 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, and that the Board disapproves the action of the New York directors and has determined the rate of the bank to be 5%.

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

Telegram dated May 9th from the Chairman of the Federal Reserve Bank of Kansas City, advising that sixty-nine Nebraska State banks, all non-par banks and all previously operated by the Guarantee Fund Commission, ceased operation on May 2nd, the date of the statutory termination of the Guarantee Fund Commission and were taken over by the State Banking Department for liquidation through receiverships; the letter stating that a list of the closed banks is being mailed to the Board today.

Noted.

Report of Committee on Examinations on letter dated May 6th from the

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Assistant Federal Reserve Agent at Cleveland, requesting permission to send one Examiner into the Bank of Commerce and Trust Company of Cincinnati, Ohio and the First Wellington Bank, Wellington, Ohio, at the time they are under examination by the state authorities, for a credit investigation along the lines set out in a letter addressed to the Board by the Federal Reserve Agent on March 22nd, without expense to the member banks; the Board's Committee recommending approval.

Approved.

Memorandum from Counsel dated May 8th, advising of introduction by Senator Brookhart of a bill to amend the Federal Reserve Act which would make it possible to bring suits against a Federal Reserve Bank in any state court of its district; Counsel stating that a similar bill introduced at the last session of Congress was disapproved by the Board and the Secretary of the Treasury in a letter addressed to the Chairman of the Senate Committee on Banking and Currency, under date of February 15th.

Noted.

REPORTS OF STANDING COMMITTEES:

- Dated, May 8th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
 9th, Recommendations approved.
- Dated, May 9th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
 Recommendations approved.
- Dated, May 8th, Recommending approval of the application of Mr. Philip Ruxton for permission to serve at the same time as director of the Harriman National Bank and Trust Company, New York, N. Y., and as director of the Trust Company of New Jersey, Jersey City, N. J.

Approved.

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The meeting adjourned at 1:20 p.m.

C. M. McClelland

Assistant Secretary.

Approved:

Edmund Platt

Vice Governor.