

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, May 15, 1929 at 12:00 o'clock noon.

PRESENT: Governor Young
 Mr. Hamlin
 Mr. Miller
 Mr. Cunningham
 Mr. Pole
 Mr. McClelland, Asst. Secretary

The Governor stated that the meeting was called particularly to consider action of the directors of the Federal Reserve Banks of Boston and Philadelphia in voting to increase the rediscount rates of those banks. He stated that a meeting of the full Board will be held tomorrow and suggested that in the meantime the action of the Boston and Philadelphia directors be taken under review, which he understands is satisfactory to them.

Letter dated May 8th from the Chairman of the Federal Reserve Bank of Boston, confirming telegraphic advice on that date and quoting the following resolution adopted by the board of directors with respect to the discount rate of the bank:

"VOTED that the action with reference to the discount rate taken at the directors' meeting on April 24, 1929 be and the same is hereby reaffirmed and that, subject to review and determination of the Federal Reserve Board, a discount rate of 6% on all classes of paper of all maturities be established for this bank, effective the first business day following that on which approved by the Federal Reserve Board."

After discussion, upon motion, it was voted that the Federal Reserve Bank of Boston be advised that the Federal Reserve Board has received the advice that the board of directors of that bank has established a rediscount rate of 6%, and that the Board has taken the matter under review and during the interim has determined the rate of the bank to be 5%.

Telegram dated May 15th from the Assistant Federal Reserve Agent at Philadelphia, advising that the board of directors of the bank to day voted to

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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 Board; this action to be held in review by the Federal Reserve Board until May 24th and not approved unless and until a similar rate is approved for the Federal Reserve Bank of New York.

After discussion, upon motion, it was voted that the Federal Reserve Bank of Philadelphia be advised that the Federal Reserve Board has received the advice that the board of directors of that bank has established a rediscount rate of 6%, and that the Board has taken the matter under review and during the interim has determined the rate of the bank to be 5%.

The minutes of the meeting of the Federal Reserve Board held on May 9th were then read and approved.

The minutes of the meeting of the Federal Reserve Board held on May 13th were read and approved as amended.

Telegrams dated May 10th from the Secretary of the Federal Reserve Bank of Cleveland, May 10th from the Secretary of the Federal Reserve Bank of Atlanta and May 9th from the Chairman of the Federal Reserve Bank of San Francisco, all 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.

Telegram dated May 13th from the Secretary of the Federal Reserve Bank of Minneapolis, advising that the board of directors at their meeting on that date made no change in the bank's existing schedule of buying rates; the Board having already been advised of and approved action of the directors regarding the rediscount rate.

Noted.

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Telegram dated May 11th from the Chairman of the Federal Reserve Bank of Kansas City, advising that no meeting of the board of directors of the bank was held on that date due to inability to secure a quorum.

Noted.

Letter dated May 9th from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors at their meeting on that date made no change in the bank's existing schedule of buying rates, but quoting the following resolution adopted by them with respect to the discount rate of the bank:

"VOTED subject to review and determination of the Federal Reserve Board, to establish a rate of six per cent. for all rediscounts and advances, effective from the opening of business May 10, 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 May 10th addressed to the Vice Governor by the Chairman of the Federal Reserve Bank of New York, advising of discussion, just prior to the vote taken by the directors of the bank on May 9th to establish a rate of 6%, of the various factors which in the minds of the directors make an increase in the rate necessary; the Chairman referring to the letter which the Board addressed to the bank under date of May 1st and stating that it was partly for the very reason that the Board has emphasized in that letter that the directors have urged upon the Board the need for an increase in rate since February 14th.

The Secretary also presented another letter dated May 10th from the

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Chairman of the New York bank, replying to the Board's letter of May 1st with regard to the borrowings of certain member banks in the Second Federal Reserve District and requesting further and fuller cooperation in the Board's policy of preventing the misuse of the discount facilities of the Federal Reserve System. The Secretary stated that copies of this letter have already been distributed among the members of the Board. A discussion of the two letters ensued during which Mr. Cunningham presented draft of a letter to the Chairman of the New York bank regarding them, and Mr. Hamlin stated that he also has prepared a letter to the New York bank in considerable detail which he wishes to revise further before presentation to the Board.

It was voted that copies of Mr. Cunningham's and Mr. Hamlin's proposed letters be furnished to each member of the Board, subject to call for consideration at a later meeting.

The Assistant Secretary also presented letters dated May 13th from the Chairman of the Federal Reserve Bank of Cleveland, May 9th from the Chairman of the Federal Reserve Bank of Richmond, May 11th from the Chairman of the Federal Reserve Bank of Atlanta, May 7th and 10th from the Chairman of the Federal Reserve Bank of Chicago, May 8th from the Chairman of the Federal Reserve Bank of St. Louis and May 10th from the Chairman of the Federal Reserve Bank of San Francisco, all in reply to the Board's recent letters to the respective banks requesting further and fuller cooperation by the Federal Reserve banks and member banks in preventing the misuse of the discount facilities of the Federal Reserve System.

Copies of all of the above letters having been furnished to the members of the Board, they were noted without action at this time.

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The Assistant Secretary also presented a letter dated May 11th from Mr. James who attended the meeting of the board of directors of the Federal Reserve Bank of Atlanta on May 10th at which the Board's letter to that bank of May 2nd was discussed.

Noted.

Letter dated May 14th from the Deputy Governor of the Federal Reserve Bank of New York, advising that there has been no change since April 30th in the Open Market Investment Account, except for repurchase by the Federal Reserve Bank of St. Louis of \$3,000,000 of the \$6,000,000 of government securities which were being held temporarily in the System account; the letter also stating that the Federal Reserve Bank of Kansas City has requested the sale of \$2,000,000 of its short term certificates and notes.

Noted.

Letter dated May 10th from the Governor of the Federal Reserve Bank of New York, advising of progress being made in their efforts to secure reports from member banks and bankers in that city showing the amount of funds held by them for account of foreign clients; the letter stating that before writing other Federal Reserve banks, as suggested by the Board, it is felt that it would be well to wait until they have had some further experience in New York.

Ordered circulated.

Bonds in the amount of \$50,000 each, executed by Messrs. Charles H. Wyatt and R. L. Honeycutt, recently designated as Acting Assistant Federal Reserve Agents for temporary periods at the Baltimore and Charlotte Branches, respectively.

Approved.

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Letter dated May 9th from the Governor of the Federal Reserve Bank of New York, advising that the resignation of Mr. W. W. Schneckenburger, Managing Director of the Buffalo Branch, has been accepted as of May 15th and that Mr. Robert M. O'Hara, Manager of the Bill Department of the New York bank, has been designated as Managing Director of the Branch for Mr. Schneckenburger's unexpired term ending December 31, 1929.

Noted.

Report of Executive Committee on letter dated May 10th from the Comptroller of the Currency, requesting approval of a salary of \$4,000 per annum for National Bank Examiner Pleasant V. Miller, assigned to the Tenth Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Richmond, Cleveland and San Francisco, of employees for whom the directors of those banks approved leaves of absence with pay, on account of illness, during the month of April, 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.

Letter dated May 13th from the Assistant Federal Reserve Agent at New York, advising that the merger of the Municipal Bank and Trust Company of New York with the Bank of United States, New York, under the name of the latter, became effective at close of business May 11th.

Noted.

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Report of Committee on Examinations on letter dated May 10th from the Federal Reserve Agent at St. Louis, recommending approval of the exercise of trust powers by the United States Bank of St. Louis, if and when authorized by the Commissioner of Finance of Missouri; the Board's Committee also recommending approval.

Approved.

Letter dated May 10th from the Chairman of the Federal Reserve Bank of St. Louis, advising that the annual conference of the directors and officers of that bank with the directors of its Branches will be held on June 5th, and inviting the members of the Board, at least the members of the Committee on District #8, to attend the meeting.

Referred to the Governor.

Letter dated May 11th addressed to the Secretary of the Treasury by the President of the Chamber of Commerce of the United States, transmitting formal copy of the resolution regarding the credit situation which was adopted at the annual meeting of the Chamber on May 3rd.

Noted.

Draft of letter to the Commissioner of the Public Debt, Treasury Department, advising of plans approved by the Board for the maintenance of reserve stocks of unissued Federal Reserve notes of the new size at certain Branch Federal Reserve Banks during the turnover period, including the temporary appointment of Acting Assistant Federal Reserve Agents; the letter stating that if and when the designations of Acting Assistant Federal Reserve Agents become effective the Board sees no objection to the Treasury Department approving

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the establishment of reserve stocks of United States issues at the Branches named, the custody of which, according to the agreement reached at the recent Currency Conference, is to be under an arrangement identical with that in effect at the head offices, namely, under joint control of a representative of the bank and the Federal Reserve Agent.

Upon motion, the above letter was approved.

Letter dated May 13th from the Commissioner of the Public Debt, Treasury Department, requesting approval of the designation of Mr. John T. Simmons of the Division of Loans and Currency as second alternate vault clerk representing the Board, in connection with the custody of reserve stocks of Federal Reserve notes at the Bureau of Engraving and Printing vice Mr. Joseph W. Bowie.

Approved.

Memorandum dated May 9th from the Secretary, with respect to consideration by the recent Currency Conference of the suggestion that during the period of issue of the new size currency each Federal Reserve bank cancel and send direct to Washington, for redemption, all currency issues of other Reserve banks of the old size, regardless of the condition of the notes involved; the Secretary concurring in the recommendation of the Conference that the cancellation of Federal Reserve notes of other Federal Reserve banks which are fit for further circulation, on a definite date prior to the date of issue of the new size, be left to the express wish of each issuing bank.

Upon motion, the recommendation of the Currency Conference was approved.

Letter dated May 13th from the Assistant Federal Reserve Agent at Atlanta, advising of plans of the Federal Reserve Agent for the custody of reserve stocks

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of unissued Federal Reserve notes and, if necessary, United States issues, during the period of turnover of the new sized currency, including the temporary appointment of Acting Assistant Federal Reserve Agents at the Branches; the letter stating that if the plans are agreeable to the Board the appointments of Acting Assistant Federal Reserve Agents will later be submitted to the Board for definite approval.

Upon motion, it was voted to advise the Assistant Federal Reserve Agent that the Board will approve the temporary designation of Acting Assistant Federal Reserve Agents at the Branches of the Federal Reserve Bank of Atlanta, in accordance with the plan submitted.

Memorandum from Counsel dated May 13th, advising of a decision rendered by the United States Supreme Court in the so-called Worcester County National Bank case, which, while not passing upon the constitutionality of the statute providing for the consolidation of a state bank with a national bank under the latter's charter, held that it was not the intention of Congress in enacting this statute to attempt to pass specific appointments as trustee, executor, etc. from the state institution to the consolidated national bank but that the statute merely gives the consolidated national bank the legal capacity to act in such trust matters upon being reappointed.

Noted.

Memorandum from Counsel dated May 9th, submitting, in accordance with the action of the Board at its meeting on May 8th - drafts of letters to the Texas State Bank and Trust Company of San Antonio, Texas, and to the Federal Reserve Agent at Dallas, citing the member bank to appear at a hearing before the Board for the purpose of showing cause why its membership in the Federal Reserve System should not be forfeited on the ground that it has violated the

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general condition of membership imposed upon it, in that it has sold and disposed of substantially all of its assets.

Upon motion, the letters submitted by Counsel were approved and ordered transmitted after Wednesday, June 12th, had been fixed as the date for the hearing.

Memorandum from Counsel dated May 9th, submitting applications by the National City Bank of New York for permission to establish branches in the city of Guatemala, Republic of Guatemala and in the city of San Salvador, Republic of El Salvador; Counsel stating that the applications are in proper form and he knows of no legal reason why they should not be approved. In this connection, the Assistant Secretary presented a memorandum dated May 13th from the Comptroller of the Currency, recommending approval of the applications.

Upon motion, the following were ordered spread upon the minutes:

"THE NATIONAL CITY BANK OF NEW YORK, having on or about May 9, 1929, filed an Application with this Board for the purpose of obtaining authority to establish a Branch in the CITY OF GUATEMALA, REPUBLIC OF GUATEMALA, and the said Application having been considered; and it appearing that the said Application is properly made under the laws of the United States of America and should be granted, NOW, THEREFORE, IT IS

ORDERED, that the said Application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish a Branch in the CITY OF GUATEMALA, REPUBLIC OF GUATEMALA."

"THE NATIONAL CITY BANK OF NEW YORK, having on or about May 9, 1929, filed an Application with this Board for the purpose of obtaining authority to establish a Branch in the CITY OF SAN SALVADOR, REPUBLIC OF EL SALVADOR, and the said Application having been considered; and it appearing that the said Application is properly made under the laws of the United States of America and should be granted, NOW, THEREFORE, IT IS

ORDERED, that the said Application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish a Branch in the CITY OF SAN SALVADOR, REPUBLIC OF EL SALVADOR."

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Letter dated May 9th from Honorable Newton D. Baker, replying to a letter addressed to him in accordance with the action of the Board on May 7th and advising, in reply to the Board's inquiry, that he concurs in the opinion expressed by the Board's General Counsel in his memorandum of March 7th on the subject of 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 2nd to all Federal Reserve banks, and that he is satisfied with the concurrence he expressed to the Board, and with the opinion he expressed to the Board as set forth in the minutes of the meeting of the Board held on May 3rd. With his letter, Mr. Baker returned an excerpt from the minutes of the meeting on May 3rd sent to him by the Board, with a suggested revision thereof setting forth his position somewhat more fully.

By unanimous consent, the Assistant Secretary was directed to revise that portion of the minutes of the meeting of May 3rd which was sent to Mr. Baker, in accordance with the suggestions made by him.

Draft of reply, prepared by Counsel, to letter dated April 29th from the Federal Reserve Agent at Boston, inquiring whether the provisions of the Clayton Act apply to certain corporations served by Mr. John R. Macomber, who desires to serve, with the permission of the Board, The First National Bank, The First National Corporation and the Harris-Forbes Trust Company, all of Boston, Massachusetts and the Harris Trust and Savings Bank of Chicago, Ill.; the letter stating that Harris, Forbes & Company, Ltd. of London, England, Harris, Forbes & Company, Ltd. of Montreal, Canada, Harris Safe Deposit Company of Chicago, Ill., the N. W. Harris and Company of Chicago, Ill., Warren Institution for Savings of Boston, Massachusetts and Harris, Forbes Companies of Boston,

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Massachusetts do not come within the prohibitions of the Clayton Act, but requesting further information regarding Harris, Forbes & Company of New York, Harris, Forbes & Company, Inc. of Boston and Harris, Forbes Corporation of New York.

Upon recommendation of the Law Committee, the letter submitted by Counsel was approved.

Memorandum from Counsel dated May 9th, submitting draft of letter to Mr. Cornelius Doremus, regarding his application to serve at the same time as officer and director of the First National Bank of Garfield, N. J., and as officer and director of the First National Bank and Trust Company, Ridgewood, N. J., which is to be formed by the consolidation of the First National Bank and the Ridgewood Trust Company, both of Ridgewood, N. J.; the letter stating that the Board will not at this time issue the permit desired but that if the consolidation referred to takes place within a reasonable time and at the time the circumstances involved in the application have not materially changed, the Board will approve the application.

Upon recommendation of the Law Committee, the letter was approved.

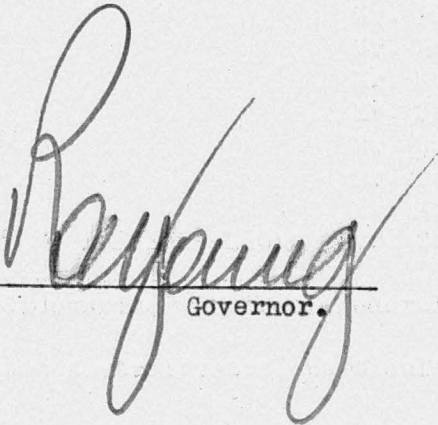
REPORTS OF STANDING COMMITTEES:

- Dated, May 10th, 13th, 14th, 15th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, May 9th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, May 9th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.

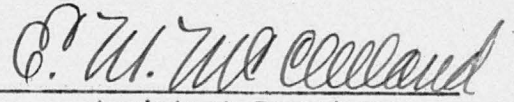
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The meeting adjourned at 1:30 p.m.

Approved:



Governor.



Assistant Secretary.