

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, May 23, 1929 at 11:30 a.m.

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

The reading of the minutes of the recent meetings of the Federal Reserve Board was dispensed with.

The Governor reported that Mr. Eddy, Secretary of the Board, has a serious ailment and that his physicians have directed him to take a leave of absence from his duties of one year, if necessary, to be spent in the southwest. He stated that he advised Mr. Eddy that there would be no difficulty in securing the necessary leave of absence and discussed with the members of the Board the question of compensation, his own personal feeling being that the Board would be justified in granting an indefinite leave of absence with full pay.

Discussion ensued following which Mr. Miller moved adoption of the following resolution:

"Whereas, the Board has heard with profound regret of the physical condition of its Secretary, Mr. Walter L. Eddy, who has been ordered by his physicians to take a year's leave of absence from duty in a milder climate;

Be It Resolved, that the Board in view of the long and conscientious service rendered by Mr. Eddy hereby grants him leave of absence without prejudice for a period of one year should that be necessary in the judgment of his physicians; his compensation to be full pay for a period of four months from June 1st, with half pay thereafter for such further part of the year as it may be necessary for him to be absent."

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Mr. James moved as a substitute for Mr. Miller's motion:

"Whereas, the Board has heard with profound regret of the physical condition of its Secretary, Mr. Walter L. Eddy, who has been ordered by his physicians to take a year's leave of absence from duty in a milder climate;

Be It Resolved, that the Board in view of the long and conscientious service rendered by Mr. Eddy hereby grants him leave of absence without prejudice for a period of one year should that be necessary in the judgment of his physicians; his compensation to be full pay for a period of six months from June 1st, with half pay thereafter for such further part of the year as it may be necessary for him to be absent."

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

Telegram dated May 22nd from the Chairman of the Federal Reserve Bank of Kansas City, 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.

Memorandum dated May 17th from the Director of the Division of Research and Statistics, recommending the appointment of Mr. George W. Blattner as member of the Research Staff of the Division, with salary at the rate of \$4,800 per annum, effective June 17th.

Approved.

Memorandum dated May 20th from the Director of the Division of Research and Statistics, recommending that Mrs. Effie Mehan, clerk in the Division, be granted fifteen days' leave on account of illness, in addition to the regular annual allowance of thirty days.

Approved.

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Memorandum dated May 15th from Miss Josephine E. Lally, stenographer in the office of the Fiscal Agent, requesting leave of absence without pay, from August 16th to August 29th.

Approved.

Report of Executive Committee on letter dated May 21st from the Comptroller of the Currency, recommending approval of a salary of \$3,600 per annum for National Bank Examiner John W. Hawkins, assigned to the Eleventh Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of New York and Kansas City, 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.

Report of Committee on Salaries and Expenditures on letter dated May 17th from the Chairman of the Federal Reserve Bank of Cleveland, inquiring whether the Board would have any objection to a contribution of \$1200 by that bank to the "Second Credit Protection Fund" being raised by the National Association of Credit Men; the Board's Committee recommending approval of the contribution.

Approved.

Telegram dated May 23rd from the Federal Reserve Agent at Atlanta,

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recommending approval of the designation of the following Acting Assistant Federal Reserve Agents at branches of that bank during the period of turnover of the new size currency; the Agent advising that an appointment at the Jacksonville Branch will be recommended later:

Birmingham	-	Thomas Bowron
Nashville	-	Maclin P. Davis
New Orleans	-	W. E. Miller

Upon motion, the designations recommended by the Federal Reserve Agent were approved.

Letter dated May 18th from the Federal Reserve Agent at Chicago, advising that due to the disability of Assistant Federal Reserve Agent W. H. White, it will be necessary for him to retain at the head office Mr. Clifford S. Young, who was temporarily designated as Acting Assistant Federal Reserve Agent, with the understanding that upon Mr. White's return to duty he would be detailed to the Detroit Branch during the currency turnover period; the Agent now recommending approval of the temporary designation of Mr. A. L. Wilson, another of his Examiners, as Acting Assistant Federal Reserve Agent for service at the Branch.

Approved.

Telegram dated May 23rd from the Federal Reserve Agent at Dallas, advising that after careful consideration it is deemed unnecessary to maintain stocks of unissued currency of the new size at the branches of that bank during the turnover period and that, accordingly, it will not be necessary to designate Acting Assistant Federal Reserve Agents at the Branches under the plan approved by the Board on May 3rd.

Noted.

Memorandum dated May 18th from the Chief of the Division of Bank Opera-

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tions, submitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of April and for the four months period ending April 30th.

Ordered circulated.

Memorandum dated May 21st from Counsel, recommending publication in the next issue of the Federal Reserve Bulletin of the recent decision of the Supreme Court of the United States in the so-called Worcester County National Bank case.

Approved.

Report of Committee on Examinations on letter dated May 14th from the Federal Reserve Agent at Minneapolis, recommending approval of the action of the Swift County Bank of Benson, Minn., a member bank, in assuming certain liabilities and taking over certain assets of the Farmers and Merchants State Bank of De Graff, Minn.; the Board's Committee also recommending approval.

Noted, with approval.

Memorandum from the Assistant Secretary dated May 22nd, approved by the Comptroller of the Currency and by the Law Committee, recommending approval of an application by the Union Trust and Savings Bank of Spokane, Wash. for permission to exercise general fiduciary powers, if and when converted into the First National Trust and Savings Bank of Spokane.

Approved.

Letter dated May 22nd from the Assistant Federal Reserve Agent at New York, advising that the Corn Exchange Bank, New York, N. Y. at close of business May 20th converted into a trust company under the new name "Corn Exchange Bank Trust Company".

Noted.

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Letter dated May 22nd from the Assistant Federal Reserve Agent at New York, advising of plans under way by the International Union Bank, New York, N. Y. to merge into that institution the Community State Bank of New York and the Unity State Bank of Brooklyn, nonmember banks.

Noted.

Memorandum dated May 22nd from the Chief Examiner, submitting report of examination of the First Federal Foreign Banking Corporation, New York, N. Y. made as at the close of business December 12, 1928.

Ordered circulated and referred to the Committee on Examinations.

Letter dated May 15th from the Secretary of the Civil Service Commission, requesting reports of changes in personnel from the Federal Reserve Board to complete records of that office as to personnel in the executive Civil Service; the letter stating that the last proviso of Clause (1), Section 11 of the Federal Reserve Act indicates that the employees of the Board are in the executive Civil Service, although not in the classified service.

Referred to the Law Committee.

Matter ordered circulated at the meeting on May 3rd, namely, letter dated April 30th from the Federal Reserve Agent at Dallas, requesting an expression from the Board as to the advisability of distributing among member banks and eligible nonmember banks in the district an article on the subject of the advantages of state bank membership in the Federal Reserve System, prepared by Assistant Federal Reserve Agent Evans.

Upon motion, it was voted to interpose no objection to the distribution of the article.

Letter dated May 16th from the Governor of the Federal Reserve Bank of

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Philadelphia, replying to the Board's letter of April 30th, requesting further and fuller cooperation by the Federal Reserve bank and member banks in the Board's policy of preventing the misuse of the credit facilities of the System.

Copies of the above letter having been furnished the individual members of the Board, it was, upon motion, noted.

Letter dated May 15th from the Chairman of the Federal Reserve Bank of Boston, supplementing his letter of May 8th in reply to that addressed to him by the Board on May 3rd on the subject of the use of Federal Reserve credit by member banks.

Upon motion, the above letter was noted, copies having been furnished to the individual members of the Board.

Memorandum from Counsel dated May 9th, submitting letter dated April 29th from the Assistant Attorney General, advising that investigators of the Department of Justice frequently find difficulty in locating the necessary records to support charges against officers and employees of member banks for alleged violations of the Federal Criminal Statutes; the letter inquiring what steps, if any, the Board might properly take to arrange for the preservation of all bank records, subsidiary or otherwise, for the period of three years named in the statute of limitations.

Upon motion, it was voted to transmit a copy of the Assistant Attorney General's letter to each Federal Reserve Agent with the suggestion that although the Board has not authority in the matter, it might be well to bring the letter to the attention of all member banks.

The Assistant Secretary then submitted for the record memoranda dated May 13th reporting action or discussion at the last conference of Governors on

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the following matters which have not yet been brought to the attention of the Board, although the members are acquainted with them through being furnished with a copy of the minutes of the Secretary of the Conference:

Report of Special Committee on Credit Operations.
 Organization of Open Market Investment Committee.
 Broadening of Bill Market.
 Development of Investment Companies for the Purchase of
 Bank Stocks.
 Elimination of one of the Federal Reserve Note Redemption
 Funds.
 Collateral for War Loan Deposits.
 Reserve Against Government Deposits in Member Banks.
 Member Bank Reserve Requirements (Computation at opening of
 business.)
 Report of Leased Wire Committee.
 Report of Insurance Committee.
 Report of Pension Committee.
 Report of Sub-committee of General Committee on Bankers
 Acceptances.
 Report of Standing Committee on Collections.

Noted.

At this point, the Secretary of the Treasury joined the meeting and took the Chair, and a discussion ensued with respect to the rate situation. The Governor was called from the meeting and upon his return reported telephone advice that the directors of the Federal Reserve Bank of New York in session today again voted to establish a rediscount rate of 6% on all classes of paper of all maturities with the understanding, however, that their action is predicated upon approval or disapproval by the Federal Reserve Board today.

Governor Young moved approval of the rate of 6% established by the directors of the Federal Reserve Bank of New York on all classes of paper of all maturities, effective tomorrow, May 24th.

During the discussion which ensued, certain members of the Board expressed the opinion that the policy which has been pursued by the System has been effective, as evidenced by the present credit situation, but questioned whether

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the relaxation which it is desirable to bring about to facilitate the meeting of the fall demands for credit would be aided by an increase in rate, particularly outside of New York City. The suggestion was made that a rediscount rate of 6% might be justified if some plan could be worked out looking toward the establishment of a rate on acceptances of 5% or even 4 1/2% during the fall to meet current requirements for business and crop moving.

At the conclusion of the discussion, Governor Young's motion was put by the Chair and lost, the members voting as follows:

Mr. Mellon, "aye"
 Governor Young, "aye"
 Mr. Platt, "aye"
 Mr. Hamlin, "no"
 Mr. Miller, "no"
 Mr. James, "no"
 Mr. Cunningham, "no"

Telegram dated May 22nd from the Chairman of the Federal Reserve Bank of Boston, advising that the board of directors of that bank at a meeting on that date reaffirmed their previous action in voting to establish a rediscount rate of 6%.

In accordance with the understanding with the Governor of the Boston Bank, upon motion, the action of the directors of that bank was continued under review.

The Governor then requested authority, until such time as the majority of the Board changes its position on the question, to take under review or disapprove any rediscount rate of 6% established by a Federal Reserve bank, whichever action is preferred by the individual bank taking the action.

Upon motion, the authority requested by the Governor was granted.

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REPORTS OF STANDING COMMITTEES:

- Dated, May 21st, 22nd, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, May 20th, 21st, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, May 20th, Recommending approval of the application of Mr. R. G. Rhett, Jr., for permission to serve at the same time as director of the Peoples-First National Bank, Charleston, S. C., and as director of the National State Bank, Columbia, S. C.
Approved.
- Dated, May 20th, Recommending approval of the application of Mr. Edward J. Maguire, for permission to serve at the same time as officer of the First National Bank, Mount Vernon, N. Y., and as officer and director of the Fallkill National Bank and Trust Company, Poughkeepsie, N. Y.
Approved.
- Dated, May 20th, Recommending approval of the application of Mr. E. H. Ayers, for permission to serve at the same time as director of the Harpeth National Bank, Franklin, Tenn., and as officer and director of the Commerce Union Bank, Nashville, Tenn.
Approved.
- Dated, May 21st, Recommending approval of the application of Mr. William J. Large, for permission to serve at the same time as director of the Douglaston National Bank, Douglaston, New York and as director and officer of the Claremont National Bank, New York, N. Y.
Approved.

The meeting adjourned at 2:00 p.m.

C. W. McCalland
Assistant Secretary.

Approved:

Raymond
Governor.