

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, May 28, 1929 at 11:00 o'clock.

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

The minutes of the meetings of the Federal Reserve Board held on May 15th and 16th were read and approved.

The minutes of the meeting of the Federal Reserve Board held on May 17th were read and approved as amended.

The minutes of the meetings of the Federal Reserve Board held on May 20th, 21st, 22nd and 23rd were read and approved.

Mr. James stated that he will be away from Washington next week in attendance at the meeting of the directors of the Federal Reserve Bank of St. Louis and its branches on June 5th.

Mr. Platt brought up the question of the possible effect on reserve requirements of member banks of the numerous recent consolidations, mergers, etc. and suggested a study of the question.

Upon motion, Mr. Platt was requested to take the matter up with the Chief of the Division of Bank Operations.

Mr. Hamlin then referred to the action of the Board at its meeting on May 8th in voting to fix a maximum fee of \$5,000 for Mr. Newton D. 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 the figure does not include litigation which

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may arise out of the questions involved. He stated that in accordance with the further action of the Board, the Law Committee has discussed with Mr. Baker the adjustment of his fee and recommends that it be reduced from the maximum fee fixed on May 8th and approved at \$1500, with the understanding that no further services on the question considered by Mr. Baker will be required at this time.

After discussion, Mr. James moved that Mr. Baker's fee for services rendered by him on the question of the powers of the Board be approved at \$1500 and that payment in that amount be authorized.

Carried.

Letter dated May 23rd from the Secretary of the Federal Reserve Bank of New York, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of buying rates and 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 percent. for all rediscounts and advances, effective from the opening of business May 24, 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.

Telegram and letter dated May 24th from the Chairman of the Federal Reserve Bank of Chicago, advising that the board of directors of the bank on that date voted to establish a rediscount rate of 6% on all classes of

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paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board; this action of the board of directors to be automatically rescinded in case the Federal Reserve Board does not approve before the close of business on May 29th. The Assistant Secretary reported that in accordance with the action of the Board at the meeting on May 23rd, the Vice Governor advised the Federal Reserve Bank of Chicago that the Federal Reserve Board has taken the action of the board of directors of the bank under review and in the meantime has determined the rate of the bank to be 5%.

Upon motion, the action of the Vice Governor was ratified.

Letter dated May 23rd from the Vice President of the Union National Bank, New Brighton, Pa., inquiring whether it would be possible to increase Federal Reserve rediscount rates to those member banks carrying call loans and give a preferential rate to banks using the Federal Reserve System for legitimate purposes.

After discussion, during which it was the consensus of opinion that the suggestion could not be adopted legally, upon motion, the above letter was referred to Counsel for the preparation of a reply.

Letter dated May 20th from the Chairman of the Federal Reserve Bank of San Francisco, with further reference to the Board's letter of May 2nd, requesting further and fuller cooperation in the policy of preventing the misuse of the discount facilities of the Federal Reserve System by member banks; the letter calling attention to improvement in the situation of three of the four member banks mentioned in the Board's letter and stating that a full report will be forwarded to the Board in the near future.

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Copies of the above letter having been furnished to the members of the Board, it was, upon motion, noted without action.

Letter dated May 21st from the Deputy Governor of the Federal Reserve Bank of New York, advising that there has been no change in the Open Market Investment Account since his last letter to the Board of May 14th; the letter also pointing out that the government securities market continues weak but that the bill market has been active, due partly to a greater demand for bills from foreign correspondents.

Noted.

A discussion then ensued with respect to the acceptance market and the question of bill purchases should it be determined to pursue a policy of relaxation in dealing with credit conditions. It was pointed out that if dealers were advised that the Federal Reserve bank is in the market for bills, offerings might be received at present rates. If not, it was suggested that buying rates might be reduced with the understanding, of course, that restraint, through a change in rate or otherwise would be exercised if a tendency developed to bring too many bills to the Federal Reserve bank.

Memorandum dated May 24th from the Director of the Division of Research and Statistics, recommending acceptance of the resignation of Mrs. Mildred D. Murphy, stenographer in the Division, effective at the close of business, June 12, 1929.

Accepted.

Memorandum dated May 27th from the Director of the Division of Research and Statistics, recommending the probationary appointment of Miss Elizabeth M. Barcalow as stenographer-clerk in the Division, to succeed Mrs. Mildred D.

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Murphy, for a period of three months with salary at the rate of \$120 per month, effective June 3, 1929.

Approved.

Memorandum dated May 27th from the Director of the Division of Research and Statistics, recommending the appointment of Miss Margaret Ellis as clerk in the Division to assist in a study of prices, for a three months' period beginning July 8th, with salary at the rate of \$150 per month.

Approved, Mr. James voting "no".

Letter dated May 23rd from the Vice President of the Foreign Trade Securities Company, Ltd., New York City, requesting a further extension for a period of thirty days of the reservation of the title "Foreign Banking and Investment Corporation" for the corporation which it is proposed to organize under Section 25 (a) of the Federal Reserve Act.

Upon motion, an extension of thirty days from May 26th was approved.

Draft of reply, prepared by Counsel, to letter dated May 22nd from the Federal Reserve Agent at Chicago, inquiring whether a trust company in Michigan, permitted to engage in a general commercial banking business on condition that it allocates a part of its capital and surplus to such business, when applying for membership in the Federal Reserve System should make application for Federal Reserve bank stock on the basis of its entire paid-in capital and surplus or the amount of the capital and surplus allocated to its banking business; the proposed reply stating that a Michigan trust company which desires to become a member of the System should apply for Federal Reserve bank stock

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on the basis of its entire paid-in capital stock and surplus rather than upon that part which is allocated to its banking business.

Upon motion, the proposed reply was approved.

Letter dated May 23rd from the Deputy Governor of the Federal Reserve Bank of Atlanta, requesting approval by the Board of the establishment at the branches of that bank during the turnover period of reserve stocks of new small size silver certificates and United States notes, to be held in joint custody of Acting Assistant Federal Reserve Agents and officers of the respective branches.

Upon motion, it was voted to recommend to the Treasury Department approval of the establishment of reserve stocks of United States currency of the small size at the branches of the Federal Reserve Bank of Atlanta, effective if and when the designations of Acting Assistant Federal Reserve Agents at the branches become effective.

Letter dated May 22nd from the Federal Reserve Agent at Kansas City, requesting approval of the temporary designation of the following Acting Assistant Federal Reserve Agents at branches of that bank in connection with the maintenance of reserve stocks of unissued Federal Reserve notes at the Branches during the turnover period:

Omaha	-	T. Gordon Sanders
Denver	-	J. W. Jones
Oklahoma City	-	J. C. Clark, Jr.

Approved.

The Assistant Secretary then presented copy of a telegram transmitted to all Federal Reserve Agents yesterday, with the approval of the Vice Governor, authorizing the issue, in advance of the issue date of the new small size currency, of such amounts of \$5 and \$10 Federal Reserve notes of the new size as

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may be needed to make up the exhibition sets of new size currency which are to be furnished to banks under authority granted by the Secretary of the Treasury; the telegram also stating that these and all future transactions in new size notes must be reported on the Board's various forms separately from the old size currency.

Upon motion, the above telegram was approved.

The Governor then presented the matter which he had previously circulated among the members of the Board, namely, letter dated May 17th from the Undersecretary of the Treasury, transmitting copy of a letter to the Governors of all Federal Reserve banks, requesting comment on preliminary drafts of a proposed Department circular and press release, concerning the issue of small size currency on July 10, 1929. The Assistant Secretary stated that the only question which might be raised was regarding the exclusion of \$50 Federal Reserve notes from the new size currency which will make up the initial issue. He stated, however, that on the issue date it is expected the necessary amount of \$50 Federal Reserve notes will be on hand at the Federal Reserve banks and that he has been advised by the Treasury Department that there will be no objection to their issue along with the smaller denominations on July 10th.

Upon motion, the proposed circular and press release were noted with approval.

Matter approved on initials on May 25th, namely, telegram to the Federal Reserve Agent at Chicago, with reference to the consolidation of the Dime Savings Bank and the Merchants National Bank, Detroit, Michigan, which will be effected under the charter of the Dime Savings Bank rather than under a new charter, as the Board was advised by the Federal Reserve Agent under date

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of April 16th; the telegram stating that no further action is necessary if, in the opinion of the Dime Savings Bank, the consolidation will not result in a change in the general character of its assets or broadening of its functions such as will tend to affect materially the standard maintained at the time of its admission to the Federal Reserve System and required as a condition of membership.

Upon motion, the telegram was formally approved.

Report of Executive Committee on memorandum dated May 21st from the Comptroller of the Currency, recommending approval of an application of the Merchants and Planters National Bank of Mt. Vernon, Texas, for permission to reduce its capital stock from \$100,000 to \$50,000, on condition that assets aggregating \$64,916.84, as listed by the Examiner, be removed from the bank; the Board's Committee recommending approval subject to the condition suggested by the Comptroller.

Approved.

Report of Executive Committee on memorandum dated May 21st from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Mt. Vernon, Texas, for permission to reduce its capital from \$100,000 to \$50,000 on condition (1) that no money be returned to the shareholders; (2) that estimated losses aggregating \$12,485.75, as set out in the report of examination completed April 13, 1929 be removed from the bank; and (3) that other assets listed in the memorandum, aggregating \$48,802.01 be eliminated; the Board's Committee also recommending approval, subject to the conditions suggested by the Comptroller.

Approved.

The Assistant Secretary presented a memorandum dated May 28th just received from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Lamar, Mo., for permission to reduce its capital stock from \$100,000 to \$50,000 on condition that questionable assets totaling \$15,250, together with depreciation in bond account of \$8,192 be removed from the bank.

The Assistant Secretary stated that the Comptroller requests action on the above application today and, upon motion, it was referred to the Executive Committee with power.

Memorandum from Counsel dated May 25th, approved by the Law Committee, submitting draft of letter to the Chairman of the Committee on Banking and Currency of the Senate suggesting certain changes in S. 1070, a bill introduced by him to amend Section 9 so as to permit state member banks of the Federal Reserve System to establish and operate foreign branches.

Upon motion, the proposed letter was approved.

Matter approved on initials yesterday, namely, application by the Cass Avenue Bank, St. Louis, Mo., on behalf of the Cass Bank and Trust Company, St. Louis, Mo. for membership in the Federal Reserve System and for 420 shares of stock in the Federal Reserve Bank of St. Louis; the application having been approved subject to the regular conditions of membership set out in the Board's Regulation H, Series of 1928 and the following additional conditions:

"That the Cass Bank and Trust Company, St. Louis, Missouri, shall, at the first meeting of its board of directors, ratify the action taken in its behalf by the Cass Avenue Bank in applying for stock in the Federal Reserve Bank of St. Louis and

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"in accepting the conditions of membership imposed by the Federal Reserve Board, and the board of directors of the Cass Bank and Trust Company shall pass a resolution accepting such conditions of membership.

That at the time the Cass Bank and Trust Company is authorized to commence business its proposed capital of \$300,000 and surplus of \$400,000 shall be fully paid in."

Formally approved.

The Assistant Secretary also presented the application of the Cass Avenue Bank of St. Louis, approved on initials yesterday, for the surrender of 420 shares of stock in the Federal Reserve Bank of St. Louis, effective if and when it converts into the Cass Bank and Trust Company.

Formally approved.

Memorandum from Counsel dated May 22nd, on letter dated May 17th from the Federal Reserve Agent at New York, inquiring whether it would be possible for the Seaboard National Bank of New York to secure consent for the establishment of a branch in Paris, France, which would become a branch of the Equitable Trust Company of New York following its proposed merger with the Seaboard National Bank; Counsel submitting draft of a letter to the Federal Reserve Agent advising that the Equitable Trust Company may not acquire a foreign branch in the manner suggested and continue to retain its stock in the Federal Reserve Bank.

Mr. Hamlin, Chairman of the Law Committee, expressed the opinion that the Board may properly grant permission to the Seaboard National Bank to establish the branch in Paris and allow such branch to be operated by the Equitable Trust Company following the consolidation of the two institutions.

A discussion ensued during which certain members of the Board expressed the opinion that the apparent prohibition in the Federal Reserve Act against the

establishment of foreign branches by State member banks is due to an oversight, and that as a practical matter, the Board should permit the Equitable Trust Company to retain the branch in Paris if established by the Seaboard National Bank prior to their consolidation.

Following the discussion, upon motion, the matter was referred to a Committee consisting of the Governor and Messrs. Hamlin and Platt, of the Law Committee, with power.

A further discussion then ensued with respect to the present credit situation and the possibility of easing to meet fall demands through the purchase of acceptances by the Federal Reserve banks. Some members of the Board favored such a program along with the maintenance of the present rediscount rate, while other expressed the opinion that if such a policy could be agreed upon an increase to 6% in the rediscount rate of some of the Federal Reserve banks might be justified. No action was taken.

The Governor then reported a telephone call yesterday from the Governor of the Federal Reserve Bank of Boston, requesting action by the Board on the rediscount rate of 6% established by the board of directors of that bank which the Board is holding under review.

After discussion, upon motion, it was voted to continue the matter under review, Mr. Platt voting "no".

REPORTS OF STANDING COMMITTEES:

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| <p>Dated, May 24th,
25th,
27th,
28th,</p> | <p>Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.</p> |
| <p>Dated, May 23rd,
24th,
27th,</p> | <p>Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.</p> |

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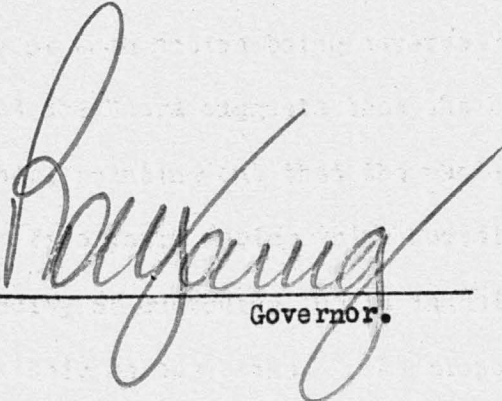
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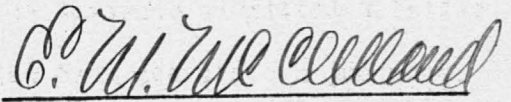
REPORTS OF STANDING COMMITTEES: (Cont'd)

- Dated, May 23rd, 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.
- Dated, May 23rd, Recommending approval of the application of Mr. W. L. Hankey for permission to serve at the same time as director of the Logan Trust Company, New Kensington, Pa., as director and officer of the First National Bank, Wilmerding, Pa., and as director and officer of the National Deposit Bank, Arnold, Pa.
Recommendation approved.
- Dated, May 24th, Recommending approval of the application of Mr. William G. Beckers for permission to serve at the same time as director of the Bolton National Bank, Bolton Landing, N. Y., and as director of the Murray Hill Trust Company, New York, N. Y.
Recommendation approved.
- Dated, May 27th, Recommending approval of the application of Mr. A. E. Potter for permission to serve at the same time as director of the Harpeth National Bank, Franklin, Tenn., as officer and director of the Broadway National Bank, Nashville, Tenn., and as officer and director of the Commerce Union Bank, Nashville, Tenn.
Recommendation approved.

The meeting adjourned at 1:40 p.m.

Approved:


Governor.


Assistant Secretary.