A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, May 29, 1929 at 11:30 a.m.

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

The Governor presented a letter dated May 23rd from the Governor of the Federal Reserve Bank of Dallas, with respect to the topic considered by the recent Conference of Governors - the possibility of Federal Reserve banks acting as custodians of securities, including bankers bills, pledged to secure public deposits; the Conference having voted to appoint a committee to review the question. The Governor stated that the Board on April 9th noted the action of the Conference with approval, but that this does not take care of the problem of the Dallas bank which is desirous of extending the facility to its member banks and has inquired whether the Board has any objection to their going ahead, in advance of action by the Conference and in view of the possibility of such action being adverse. The Governor submitted a letter stating that the Board suggests that the Dallas bank use its own judgment in the matter, pointing out that the whole question has been under discussion for four or five years during which certain Federal Reserve banks have acted in the capacity of custodian and it is believed have rendered a valuable service to their member banks. The proposed letter pointed out that the Board thoroughly realizes that there may be some business risk but it believes that the officers and directors of the Dallas bank can put out the proper safeguards so that this risk will be very remote.

After discussion, upon motion, the letter submitted by the Governor was approved.

The Governor then referred to the action of the Board yesterday in approving draft of a letter to the Chairman of the Committee on Banking and Currency of the United States Senate, suggesting certain amendments to S.1070, a bill introduced by him to amend Section 9 of the Federal Reserve Act so as to permit state member banks of the Federal Reserve System to establish and operate foreign branches. He stated that he did not transmit the letter for the reason that under the proposed amendment state member banks would be permitted to establish foreign branches without securing permission from the Federal Reserve Board as is required of national banks. He pointed out that the amendment was recommended by the Board to put state member banks on an equal basis with national banks in the matter of foreign branches but that it should not place them at an advantage. He suggested that the Board recommend that S. 1070 be further amended so as to provide that the establishment of branches by state member banks shall be subject to the approval of the Board.

Upon motion, it was voted to refer the proposed letter back to the Law Committee for amendment in accordance with the suggestion of the Governor.

Mr. Hamlin then brought up the question which was considered at the meeting yesterday, namely, the establishment of a branch in Paris by the Seaboard National Bank of New York, which branch would later become a branch of the Equitable Trust Company of New York as a result of a proposed consolidation of the two institutions. He stated that he took the matter up with the Board's General Counsel and submitted a memorandum from Mr. Wyatt, concurring in the opinion previously expressed by Assistant Counsel Vest to the effect that if the Seaboard National Bank establishes a branch in Paris and is later absorbed by the Equitable Trust Company, the law requires that the Equitable Trust Company must either relinquish such branch or its membership in the System. A discussion ensued during which certain members of the Board expressed the view that the Board should concur in the opinion of its Counsel, while others took the position that as a practical matter the Board should permit establishment of the branch by the Seaboard National Bank and its retention as a branch of the Equitable Trust Company following the consolidation of the two institutions. Suggestion was made that the matter might be referred to the Attorney General of the United States.

Following the discussion, it was voted to lay the matter on the table with the understanding that the Governor will communicate with the Federal Reserve Agent at New York and obtain an opinion regarding the matter from Counsel for that bank.

Letter dated May 28th from the Deputy Governor of the Federal Reserve Bank of New York, advising that there has been no recent activity in the Open Market Investment Account which remains at $20,500,000; the letter pointing out that the market for government securities continues weak, with lower prices prevailing generally, and that the bill market for the past week has been moderately active, with a reduction in the holdings of the Federal Reserve bank.

Noted.

The Governor stated that the directors of the Federal Reserve Bank of New York are in session and that he expects word shortly as to their action regarding the discount rate of the bank.

A general discussion ensued regarding the credit and rate situation during which the Secretary of the Treasury joined the meeting and took the Chair.

At 1:45 p.m. the meeting recessed and reconvened at 2:30 p.m., the same members being present as attended the morning session.

The Governor reported that he had just received advice from the Governor of the Federal Reserve Bank of New York that the directors of the bank, after prolonged discussion, have decided not to take any action regarding the rate of the bank today. The directors feel, he stated, that the credit situation is at a point where any action taken must be by the System as a whole and that they are working on a resolution which will be transmitted to the Board.

After a brief discussion, at 2:45 p.m. the meeting adjourned.

E. M. McClelland
Assistant Secretary.

Approved: R. A. Young
Governor.