

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, June 6, 1929 at 11:00 o'clock.

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

The minutes of the meetings of the Federal Reserve Board held on May 28th and 29th were read and approved.

The minutes of the meeting of the Federal Reserve Board held on June 1st were read and approved as amended.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on June 3rd were read and, upon motion, the actions recorded therein were ratified.

The minutes of the meeting of the Federal Reserve Board held on June 5th were read and approved as amended.

Telegram dated June 5th from the Assistant Federal Reserve Agent at Philadelphia, 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.

Noted, with approval, Mr. Platt voting "no".

Telegram dated June 5th from the Chairman of the Federal Reserve Bank of St. Louis, 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 June 4th from the Director of the Division of Research

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and Statistics, recommending the appointment of Mr. Corliss E. Armstrong as Research Assistant in the Division at an annual salary of \$2400, effective June 17th.

Approved.

Letter dated June 3rd from the Chairman of the Federal Reserve Bank of Kansas City, advising of the death on June 1st of Mr. E. J. Murphy, one of the Board's appointees to the directorate of the Oklahoma City Branch.

Noted, with regret, and referred to the Committee on District #10 for recommendation as to the appointment of a successor.

Matter approved on initials on June 4th, namely, telegram dated June 4th from the Federal Reserve Agent at Atlanta, recommending the temporary designation of Mr. Fulton Saussy as Acting Assistant Federal Reserve Agent at the Jacksonville Branch during the currency turnover period.

Formally approved.

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of Boston, of employees for whom the directors of that bank approved leaves of absence with pay, on account of illness, during the month of May, 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.

Memorandum dated June 4th from Counsel, submitting drafts of replies to letters from the Assistant Federal Reserve Agents at Philadelphia and San Francisco, inquiring whether the service of an attorney for a national bank, in addition to his service as a director of another national bank, comes

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within the prohibitions of the Clayton Act; the proposed reply stating that the Board is of the opinion that an attorney is not an officer or employee of a national bank within the meaning of the Clayton Act.

Upon motion, the letters were approved.

Memorandum dated June 3rd from Counsel, submitting copy of opinion of the Court of Appeals for the District of Columbia affirming the decision of the Supreme Court of the District of Columbia in the case of Charles L. Apfel et al v. Federal Reserve Board (the so-called Foreign Financing Corporation case) denying a petition of the plaintiffs for a writ of mandamus compelling the Board to give approval to a corporation organized under Section 25 (a) of the Federal Reserve Act; Counsel stating that the petitioners may endeavor to take the case to the Supreme Court of the United States but that the chances are that the Supreme Court will refuse to hear it.

Noted.

The Assistant Secretary then submitted the proposed review of the month, prepared by the Director of the Division of Research and Statistics, for the June issue of the Federal Reserve Bulletin, which review on occasion is released to the press in advance of the publication of the Bulletin.

Upon motion, it was voted to approve the review for publication in the Bulletin without advance release.

Memorandum dated June 4th from Mr. Cunningham, submitting the following substitute for the tentative draft of a proposed Regulation "M", Series of 1929, prepared by Counsel in accordance with the resolution adopted by the Board on March 21st and on which action was deferred at the meeting on April 18th:

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"REGULATION M, SERIES OF 1929.

Loans, Discounts or other Credit Accommodations for
Member Banks having Loans to Brokers or Dealers
in Stocks, Bonds or other Investment Securities.

Except with the permission of the Federal Reserve Board, no Federal Reserve Bank shall discount or rediscount any note, draft or bill of exchange for, or make any loan or advance to, or purchase any bills of exchange, bankers' acceptances, or government, State or municipal securities (under repurchase agreement or otherwise) from, any member bank which at the time (a) has outstanding loans to any person, firm, partnership, corporation, company or association, whose principal business it is to negotiate purchases or sales of or to purchase, sell or otherwise deal in, stocks, bonds or other investment securities (other than bonds or notes of the Government of the United States) either for his or its own account or for the account of others, or (b) has outstanding loans to or deposits with any other bank, which at the time has outstanding loans to any such person, firm, partnership, corporation, company or association."

Mr. Cunningham stated that he does not request action at this time on the substitute regulation, which it was understood will lay on the table subject to call for future consideration.

Report of Committee on Examinations on letter dated May 29th from the Federal Reserve Agent at San Francisco, transmitting an analysis of report of a recent examination of the Bank of Rosalia, Rosalia, Washington, which discloses certification of a check without sufficient funds to cover; the Agent stating that under Section 9 of the Federal Reserve Act the state bank may be subjected to proceedings for forfeiture of its membership in the System, and inquiring what, if any, action he should take in the case. The Committee on Examinations recommended that in addition to inquiring into and reporting fully to the Board the circumstances of the case, the Federal Reserve Agent should make a firm recommendation to the Board as to its final

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disposition.

Upon motion, the recommendation of the Committee was adopted.

Application of the First National Bank of Canon City, Colo. for permission to exercise fiduciary powers; together with a divided report thereon by the Law Committee, Mr. Hamlin recommending approval and Mr. Platt dissenting because of the size of the bank which has a capital of \$50,000 and surplus of \$25,000.

Upon motion, the application was approved, Mr. Platt voting "no".

At this point, Mr. F. H. Curtiss, Chairman of the Board of Directors of the Federal Reserve Bank of Boston, joined the meeting. He stated that his Board of Directors at its meeting yesterday carefully reviewed the credit situation in New England and reaffirmed its previous action in voting to establish a rediscount rate of 6%, with the request that he come to Washington for the purpose of acquainting the Board with conditions in the district and requesting favorable action on the rate. He stated that a situation has been developing in the district since April 1928 which has been causing a great deal of concern. From 1923 up to that time, he stated, there was a steady increase in deposits of member banks which, with a dull business situation and a consequent shortage of commercial demand for credit, was used in the purchase of securities, including governments, and in loans against securities. Since April 1928, however, Mr. Curtiss stated, member banks in the district have lost deposits to the aggregate of about \$200,000,000 and with a falling bond market have been forced to rediscount heavily at the Federal Reserve bank. Practically all heavy borrowing, he stated, is due to the borrowing

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banks being over loaded with government and other securities which can not be disposed of except at a loss. The directors of the Boston bank feel that the Board's policies during the past several months have received good co-operation in the district, but there has been no improvement in the situation. At the same time, he stated, a heavier demand from member banks is expected in the near future. An increase to 6%, Mr. Curtiss stated, would be expected to relieve the pressure on the Federal Reserve Bank of Boston, the reserves of which have been averaging around 60%, and transfer it to other districts where the Federal Reserve banks are in a stronger reserve position.

During a discussion which ensued, Mr. Curtiss referred to the probable need of relaxation in the credit policy of the System during the coming months and suggested that if an easing program is decided upon purchases of government bonds would be helpful in relieving the pressure on banks in the position of many of those in his district.

REPORTS OF STANDING COMMITTEES:

- Dated, June 4th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, May 18th, Recommending action on applications for fiduciary powers
June 3rd, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, June 3rd, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, June 3rd, Recommending approval of the application of Mr. Edwin G. Foreman, Jr., for permission to serve at the same time as director of the Foreman National Bank, Chicago, Ill., and as director of the South Side Trust and Savings Bank, Chicago, Ill.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, June 3rd, Recommending approval of the application of Mr. Delos W. Cooke for permission to serve at the same time as director of the Phoenix National Bank, Phoenix, Arizona, as director of the Seaboard National Bank, New York, N. Y., and as director of the Foreman National Bank, Chicago, Ill.

Approved.

Dated, June 3rd, Recommending approval of the application of Mr. William Boardman for permission to serve at the same time as officer of the Brooklyn Trust Company, Brooklyn, N. Y., and as director of the Richmond Hill National Bank, Richmond Hill, N. Y.

Approved.

Dated, June 3rd, Recommending approval of the application of Mr. Horace K. Corbin for permission to serve at the same time as director and officer of the Fidelity Union Trust Company, Newark, N. J. as director of the Union County Trust Company, Elizabeth, N.J. and as director of the Hillside National Bank, Hillside, N.J.

Approved.

Dated, June 3rd, Recommending approval of the application of Mr. James W. Green, Jr., for permission to serve at the same time as director of the Fulton County National Bank, Gloversville, N.Y. and as director of the First National Bank, Amsterdam, N. Y.

Approved.

Dated, June 4th, Recommending approval of the application of Mr. Julien L. Eysmans for permission to serve at the same time as director of the Trenton Banking Company, Trenton, N. J., and as director of the Trademens National Bank and Trust Company, Philadelphia, Pa.

Approved.

Dated, June 4th, Recommending approval of the application of Mr. Thomas D. Sullivan for permission to serve at the same time as officer and director of the Northern Trust Company, Philadelphia, Pa. and as director of the Trademens National Bank and Trust Company, Philadelphia, Pa.

Approved.

Dated, June 4th, Recommending approval of the application of Mr. John A. Hooper for permission to serve at the same time as director of the Western National Bank, York, Pa., and as director of the Eastern National Bank, York, Pa.

Approved.

The meeting adjourned at 1:15 p.m.

C. W. Hill

Assistant Secretary.

Approved:

Raymond

Governor.