

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, June 12, 1929 at 12:30 p.m.

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

The reading of the minutes of the meetings of the Federal Reserve Board held on June 10th and 11th was dispensed with.

The Governor stated that in accordance with the action of the Board yesterday, Mr. Cunningham and he have conferred regarding an outline of System credit policy during the coming months and expect to have something to submit to the Board this afternoon.

Telegram dated June 10th from the Chairman of the Federal Reserve Bank of Minneapolis, 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 10th from the Chief of the Division of Bank Operations, submitting the resignation of Mr. William J. Mays, clerk in the Division, effective at close of business July 1st, and requesting authority to fill the vacancy thus created at a salary of not to exceed \$2,000 per annum.

Upon motion, the resignation was accepted effective July 1st, and the authority requested was granted.

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

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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.

Bonds in the amount of \$50,000 each, executed by Messrs. T. Gordon Sanders, Judd W. Jones and J. C. Clark, Jr., recently designated as Acting Assistant Federal Reserve Agents at the Omaha, Denver and Oklahoma City Branches, respectively.

Approved.

Memorandum dated June 11th from the Director of the Division of Research and Statistics, recommending that the recent report of the Committee of Experts on Reparations be printed in full in the next issue of the Federal Reserve Bulletin, and that 2,000 reprints be made of this part of the Bulletin, with the understanding that the Printing Office will be asked to hold the type for a reasonable time in order to provide for the printing of additional copies in case the demand should justify.

Upon motion, the recommendation was approved.

Memorandum dated June 11th from Counsel, approved by the Law Committee, requesting that the Board authorize the following expenditures in addition to the normal expenditures heretofore authorized in the annual budget for his office:

(1) Additional bookcases and other furnishings and equipment for new library room	-	\$298.00
(2) Cost of changing electric wiring and installing new lights in the new library room	-	17.61
(3) New law books	-	461.55

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(4) Expenditure for Corporation Trust Legislative Service which has been received for a number of years but was not included in estimating the budget of Counsel's office - \$200.00

Approved.

Memorandum from Counsel dated June 10th regarding the application of Mr. Ralph B. Leonard, for permission to serve at the same time as director of the Richmond Hill National Bank and the Port Morris Bank, both of New York City; the Law Committee concurring in a recommendation of Counsel that the firm of Ralph B. Leonard & Company of New York City, of which Mr. Leonard is a member, should not be considered a firm of "private bankers" within the meaning of the Clayton Act and that the application be approved as to the two banks named.

Upon motion, the application was approved.

Memorandum from Counsel dated June 10th regarding the application of Mr. E. J. Nolan, for permission to serve at the same time as officer and director of the Bank of America of California, Los Angeles, Cal. and as director of the First National Bank of Beverly Hills, Cal.; the Law Committee concurring in a recommendation of Counsel that the Title Insurance and Trust Company and the Fidelity Savings and Loan Association, both of Los Angeles, which Mr. Nolan is also serving, be not considered as coming within the meaning of the Clayton Act as they do no commercial banking business and that the application be approved as to the other two banks named.

Upon motion, the application was approved.

The Governor then stated that the special order of business for this meeting is a hearing to show cause why the Texas State Bank and Trust Company of San Antonio, Texas, should not be required to surrender its stock in the Federal

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Reserve Bank of Dallas and to forfeit all rights and privileges of membership in the Federal Reserve System.

No one appearing on behalf of the Texas State Bank and Trust Company of San Antonio, Texas, at the said hearing before the Federal Reserve Board, under the terms of Section 9 of the Federal Reserve Act; and it appearing to the Federal Reserve Board that the Texas State Bank and Trust Company has violated the provisions of Section 9 of the Federal Reserve Act in that it has failed to comply with the provisions of the condition of membership imposed on such bank at the time of its admission to the Federal Reserve System that "except with the permission of the Federal Reserve Board, you shall not cause or permit any change to be made in the general character of your assets or in the scope of the functions exercised by you at the time of admission to membership, such as will tend to affect materially the standard maintained at the time of your admission to the Federal Reserve System and required as a condition of membership"; the Texas State Bank and Trust Company having ceased to exercise banking functions and having sold and disposed of all of its assets except an amount equal to its capital stock;

Upon motion duly made and seconded, the following resolution was unanimously adopted:

"Whereas, it appears to the Federal Reserve Board from a consideration of the information received by it that the Texas State Bank and Trust Company of San Antonio, Texas, has violated the provisions of Section 9 of the Federal Reserve Act in that it has failed to comply with the provisions of the condition of membership imposed on such bank at the time of its admission to the Federal Reserve System that 'except with the permission of the Federal Reserve Board you shall not cause or permit any change to be made in the general character of your assets or in the scope of the functions exercised by you at the time of admission to member-

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"ship, such as will tend to affect materially the standard maintained at the time of your admission to the Federal Reserve System and required as a condition of membership'; the Texas State Bank and Trust Company having ceased to exercise banking functions and having sold and disposed of all of its assets except an amount equal to its capital stock;

NOW, THEREFORE, BE IT RESOLVED, That the Federal Reserve Board require and direct the Texas State Bank and Trust Company, of San Antonio, Texas, under the terms of Section 9 of the Federal Reserve Act, as amended, to surrender its stock in the Federal Reserve Bank of Dallas and to forfeit all rights and privileges of membership in the Federal Reserve System as of the date on which notice of this action on the part of the Federal Reserve Board is received by said bank."

At 1:00 p.m. the meeting recessed and reconvened at 2:30 p.m., the same members being present as attended the morning session and, in addition, the Secretary of the Treasury who took the Chair.

The Governor presented an outline of future credit policy for the Federal Reserve System prepared by Mr. Cunningham and himself, the committee appointed at the meeting yesterday, in the form of a communication addressed to the Chairman of the Board of Directors of the Federal Reserve Bank of New York, which, during the discussion which ensued, was amended, and upon motion unanimously approved in the following form:

"The Federal Reserve Board has given further consideration to the question of future program. The Board thoroughly realizes that many factors now unforeseen may enter into the credit situation during the coming months. However, it believes that at the moment there is a possibility of carrying out a program for the future months without an immediate raise in the discount rate or, at this writing, easing the situation either by the purchase of bills or Government securities.

Therefore, in an effort to develop a mutually satisfactory program, the Board suggests the following for your consideration, with the hope that no unforeseen developments will occur which will prompt anyone to change his position:

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"Since February the policy of the Federal Reserve System has expressed itself primarily through what is called 'direct action' and this position was taken deliberately by the Federal Reserve Board. To this position it holds fast. It is satisfied with the reasonableness of its policy and with its necessity, even though the methods and degree of application may be controversial.

The Board, after a careful review of the credit situation, finds that the increased demand for credit to meet mid-year requirements and also the credit demands for early autumn will probably require member banks to increase their rediscounts at the Federal reserve banks. This situation will be better served by a temporary suspension of a rigid policy of direct pressure, which, however, should not be abandoned, but rather tempered in order to permit member banks that have not found it practicable to readjust their position in accordance with the Board's principle, to avail themselves of the rediscount facilities of the Federal reserve banks for the purpose of avoiding, as far as possible, any undue strain or any unnecessary increase in the cost of credit in meeting the seasonable needs of agriculture, industry and commerce.

If such rediscounts become excessively large so as to unduly tighten the credit situation to a point where it acts as a deterrent to business and there are no other unsatisfactory factors in the situation, relief should be given through some release of Federal reserve credit, preferably through the purchase of bills, but if it should appear at the time that such relief is not adequate or practicable, then, the Federal Reserve Board would be glad to give consideration to supplementing the relief through the purchase of short-time Government securities.

In suggesting this program for the future months, the Board is not unmindful that a limited number of member banks may expand undesirable loans upon Federal reserve credit to a point which would not be justified by conditions and circumstances surrounding these institutions, and in such cases the Board would expect the Federal reserve banks to resort to the usual direct action.

Again, if such increase in rediscounts and Federal reserve portfolios leads to an undue increase in loans having the earmarks of unsound banking practice in any great number of member banks where direct action can not be applied simultaneously and quickly enough to protect the general credit situation, the Board would be glad to consider other corrective measures.

The Board would be glad to hear the views of your directors after they have considered this outline."

At the conclusion of the discussion, Mr. James moved that the committee consisting of the Governor and Mr. Cunningham proceed to New York and in person present to the Board of Directors of the Federal Reserve bank the communication as approved by the Board.

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Mr. James' motion, being put by the Chair,  
was carried.

REPORTS OF STANDING COMMITTEES:

- Dated, June 11th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, June 8th, Recommending action on applications for fiduciary powers  
10th, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, June 10th, 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, June 10th, Recommending approval of the application of Mr. Crawford Moore for permission to serve at the same time as officer and director of the First National Bank of Idaho, Boise, Idaho, as officer and director of the Ontario National Bank, Ontario, Oregon and as officer and director of the Vale National Bank, Vale, Oregon.  
Approved.
- Dated, June 10th, Recommending approval of the application of Mr. C. C. Anderson for permission to serve at the same time as director of the First National Bank of Idaho, Boise, Idaho, as director of the Ontario National Bank, Ontario, Oregon and as director of the Vale National Bank, Vale, Oregon.  
Approved.
- Dated, June 10th, Recommending approval of the application of Mr. Eugene Looney for permission to serve at the same time as director of the First National Bank of Idaho, Boise, Idaho, as director of the Ontario National Bank, Ontario, Oregon and as director of the Vale National Bank, Vale, Oregon.  
Approved.
- Dated, June 10th, Recommending approval of the application of Mr. J. W. Cunningham for permission to serve at the same time as officer and director of the First National Bank of Idaho, Boise, Idaho, as officer and director of the Ontario National Bank, Ontario, Oregon and as officer and director of the Vale National Bank, Vale, Oregon.  
Approved.
- Dated, June 10th, Recommending approval of the application of Mr. E. A. Van Sicklin for permission to serve at the same time as director of the First National Bank of Idaho, Boise, Idaho, as director of the Ontario National Bank, Ontario, Oregon and as director of the Vale National Bank, Vale, Oregon.  
Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, June 10th, Recommending approval of the application of Mr. Raymond Moore for permission to serve at the same time as officer and director of the First National Bank of Idaho, Boise, Idaho, as director of the Ontario National Bank, Ontario, Oregon, and as director of the Vale National Bank, Vale, Oregon.  
Approved.

The meeting adjourned at 3:15 p.m.

*C. W. W. Cleveland*  
Assistant Secretary.

Approved:

*Raymond*  
Governor.