

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, June 19, 1929 at 12:00 o'clock noon.

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

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

Matter approved on initials yesterday, namely, application of the First National Bank in Amboy, Minn., for stock (23 shares) in the Federal Reserve Bank of Minneapolis, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Telegram dated June 19th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that the board of directors at a meeting today made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated June 18th from the Chief of the Division of Bank Operations, recommending the appointment of Mr. Kenneth R. Iverson, as clerk-typist in the Division at a salary of \$1200 per annum, effective June 26th.

Approved.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of New York, Atlanta and San Francisco, of

6/19/29

-2-

employees for whom the directors of those banks 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.

Report of Committee on Salaries and Expenditures and Committee on District #7 on letter dated June 14th from the Federal Reserve Agent at Chicago, advising that the resignation of Mr. Frank M. Huston, Manager of his Division of Research and Statistics, becomes effective on June 30th and recommending that Mr. Harris G. Pett be appointed Manager of the Division at a salary of \$5,600 per annum, effective July 1, 1929; the Board's Committees concurring in the recommendation of the Federal Reserve Agent.

Approved.

Report of Committee on District #10 recommending the appointment of Mr. John B. Doolin as Director of the Oklahoma City Branch for the unexpired term of Mr. E. J. Murphy, deceased, ending December 31, 1930.

Upon motion, Mr. Doolin was appointed as Director of the Oklahoma City Branch for the unexpired term ending December 31, 1930.

Letter dated June 17th from the Assistant Federal Reserve Agent at Cleveland, requesting authority to issue new size Federal Reserve notes to the Federal Reserve bank, beginning the week of June 24th, in order that they may be prepared for distribution, with the understanding that none of the currency will be placed in the mail or released for circulation earlier than the date of official release.

Approved.

6/19/29

-3-

Report of Committee on Examinations on letter dated June 17th from the Federal Reserve Agent at Cleveland, requesting permission to use one Examiner in the Middlefield Banking Company, Middlefield, Ohio, and the Union Savings and Trust Company, Warren, Ohio, at the time those institutions are under examination by the State Banking Department, for the purpose of making investigations along the lines set out in the Federal Reserve Agent's letter of March 22nd, without expense to the member banks; the Board's Committee recommending approval.

Approved.

Memorandum dated June 18th from General Counsel recommending that there be published in the next issue of the Federal Reserve Bulletin the recent decision of the Court of Appeals of the District of Columbia in the so-called Foreign Financing Corporation case, together with a brief introductory statement relative thereto.

Approved.

Memorandum from Counsel dated June 17th, submitting a letter from Mr. Otto N. Frenzel, Jr., informally applying for permission to serve as director of the Merchants National Bank, Indianapolis, Ind., in addition to service as officer of that bank and as director of the Fountain Square State Bank and the Brightwood State Bank, both of Indianapolis; the Law Committee concurring in Counsel's recommendation that the application be approved.

Approved.

Report of Committee on Examinations on letter dated June 14th from the Federal Reserve Agent at Chicago, inquiring whether the membership of the Hopkins State Savings Bank, Hopkins, Michigan, whose notice of intention to

6/19/29

-4-

withdraw from the System expires on June 28th, could be continued until September 15, 1929; the Committee calling attention to a previous ruling of the Board that two months will be considered as a reasonable time for the consummation of withdrawal after the six months' period has expired, unless an extension of time is granted, and recommending that the Board grant the Hopkins State Savings Bank a period of three months for consummation of its withdrawal after the expiration of its six months' notice on June 28th.

Upon motion, the recommendation of the Committee was approved.

Report of Committee on Examinations with further reference to the application of the Brown City Savings Bank, Brown City, Michigan, for permission to reduce its capital from \$40,000 to \$25,000 for the purpose of removing certain undesirable assets in connection with the extension of its charter by the State Bank Commissioner; the Committee stating that the proposed capital is rather small for the deposit liability of the bank amounting to \$536,000 and recommending, after communication with the Federal Reserve Agent at Chicago, that the reduction in capital be approved on the following conditions:

(1) That the Bank shall increase its paid-up and unimpaired capital to \$40,000, for this purpose setting aside each year into a fund exclusively applicable to such capital increase all of its net earnings for the preceding year prior to the payment of dividends, until such fund amounts to \$15,000; that whenever such fund shall amount to \$15,000, it shall be converted into capital by the payment of a stock dividend, or used in any other manner permitted by state law to increase the capital to the required amount; provided, however, that such increase in capital may be provided in whole or in part by the sale of additional stock.

(2) That when the bank's paid-up and unimpaired capital amounts to \$40,000, it shall transfer to surplus each year,

6/19/29

-5-

until such surplus amounts to 20% of its paid-up and unimpaired capital 50% of its net earnings for the preceding year before payments of dividends.

Upon motion, the reduction was approved subject to the conditions recommended by the Committee.

Matter ordered circulated at the meeting on June 1st, namely, letter addressed to the Secretary of the Treasury under date of May 22nd by the President of the Union Trust Company of Cleveland, with reference to the inclusion of that bank in the list of institutions mentioned in the Board's letter of May 3rd to the Chairman of the Federal Reserve Bank of Cleveland on the subject of the misuse of the discount facilities of the Federal Reserve System by member banks.

After discussion, the above letter was referred to the Governor for preparation of a reply.

Report of Committee on Salaries and Expenditures on letter dated June 13th from the Deputy Governor of the Federal Reserve Bank of Minneapolis, advising of the employment of Mr. Lewis Baertsch as a collector at an annual salary of \$2,700; the Board's Committee recommending approval.

Approved.

The Assistant Secretary then submitted a memorandum on the subject of minimum capital requirements for National banks granted permission to exercise trust powers prepared by Mr. Platt as a result of discussion at the meeting of the Board on March 18th regarding a request by the Superintendent of Banks of California that the Board require a capital of \$200,000 for national banks granted trust powers in that state, in accordance with the policy of his office in dealing with state banks, rather than a capital of \$125,000 which is

6/19/29

-6-

the requirement of state law. In Mr. Platt's memorandum, it was recommended -

(1) That in the California case and in every case where the Board finds a Superintendent of Banks administering the law so as to enforce a standard higher than the minimum legal requirements, the Board adopt the same higher standards; and

(2) That the Board adopt the policy of the majority of the states and provide by regulation that no national bank with a capital less than \$50,000 be granted permission to administer trusts, and further, that no national bank with a capital less than \$100,000 be granted full trust powers unless an exceptional showing is made as to the bank's condition and management and as to the need of an institution exercising trust powers in the community.

A detailed discussion ensued but no action was taken. It was understood, however, that Mr. Platt would secure from the trust section of the Board's organization information regarding the exercise of trust powers and the investment of trust funds by small national banks.

At this point, Mr. Pole joined the meeting. He referred to the fact that under a restriction of the Board the salary of his Secretary, Mr. S. E. Kimball, is limited to \$3,000 a year, his present salary being \$2,900 per annum. He advised the Board of Mr. Kimball's qualifications and the work which he is performing and inquired whether the Board would be willing to make an exception in Mr. Kimball's case which would permit an increase in his salary to \$3,300 per annum.

A brief discussion ensued, during which members of the Board expressed the opinion that the action requested by the Comptroller would necessitate a general increase in the scale of secretarial salaries on the Board and action was deferred.

The Governor stated that he expects to leave on Tuesday for a vacation in Michigan from which he can be recalled at any time on thirty-six hours' notice. He requested that, in the meantime, in order that he might have an opportunity

6/19/29

-7-

to clean up certain matters on his desk that meetings of the Board be called at 12:00 o'clock noon instead of 11:00 o'clock.

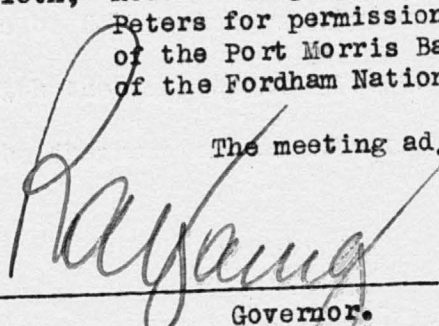
The Governor's suggestion was adopted with the understanding that business to be transacted may make a change necessary.

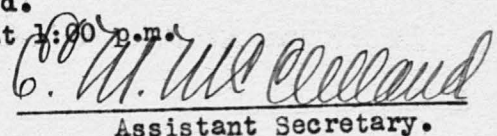
REPORTS OF STANDING COMMITTEES:

- Dated, June 17th, 18th, 19th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, June 18th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendation approved.
- Dated, June 17th, Recommending approval of the application of Mr. Nelson McCook, for permission to serve at the same time as director and officer of the First National Bank, Sumner, Iowa, as director of the Western National Bank, Los Angeles, Cal., and as director and officer of the California National Bank, Long Beach, Cal. Approved.
- Dated, June 15th, Recommending approval of the application of Mr. Theodore J. Yund, for permission to serve at the same time as director and officer of the Montgomery County Trust Company, Amsterdam, N. Y., and as director and officer of the Amsterdam City National Bank, Amsterdam, N. Y. Approved.
- Dated, June 17th, Recommending approval of the application of Mr. George F. Baker, Jr., for permission to serve at the same time as director of the First National Bank, New York, N. Y., and as trustee of the United States Trust Company, New York, N. Y. Approved.
- Dated, June 18th, Recommending approval of the application of Mr. Harry C. Reynolds for permission to serve at the same time as director of the First National Bank, Factoryville, Pa., and as director and officer of the Anthracite Trust Company, Scranton, Pa. Approved.
- Dated, June 18th, Recommending approval of the application of Mr. William Peters for permission to serve at the same time as director of the Port Morris Bank, New York, N. Y., and as director of the Fordham National Bank, New York, N. Y. Approved.

The meeting adjourned at 1:00 p.m.

Approved:


Governor.


Assistant Secretary.