

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, June 24, 1929 at 12:00 o'clock noon.

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

The minutes of the meetings of the Federal Reserve Board held on June 21st were read and approved.

Memorandum dated June 24th from the Assistant Secretary, recommending the temporary appointment of C. J. Buettner as messenger in the Board's telegraph office during July and August, at a salary of \$75 per month.

Approved.

Report of Executive Committee on letter dated June 20th from the Comptroller of the Currency, recommending approval of an increase from \$6,600 to \$10,000 per annum in the salary of Mr. R. W. Byers, appointed Chief National Bank Examiner of the Fifth District to succeed Mr. William P. Folger, resigned; the Board's Committee also recommending approval.

Approved.

Letter dated June 21st from the Vice President of the Foreign Trade Securities Company, Ltd., New York, requesting a further extension for a period of thirty days of the Board's 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 June 25th was approved.

Memorandum dated June 18th from the Board's Fiscal Agent, recommending

6/24/29

-2-

that an assessment of ninety-five thousandths of one per cent (.00095) of the total paid-in capital and surplus of the Federal Reserve banks as at the close of business June 30, 1929 be levied to cover the general expenses of the Board during the six months' period beginning July 1, 1929.

Upon motion, the following resolution was adopted:

"WHEREAS, under Section 10 of the Act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal reserve banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts and employees for the half-year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half-year; and

WHEREAS, it appears from estimates submitted and considered that it is necessary that a fund equal to ninety-five thousandths of one per cent (.00095) of the total paid-in capital stock and surplus of the Federal reserve banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal reserve notes; Now, therefore,

BE IT RESOLVED, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal reserve banks of an amount equal to ninety-five thousandths of one per cent (.00095) of the total paid-in capital and surplus of such banks as of June 30, 1929, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessments will be collected in two installments of one-half each; the first installment to be paid on July 1, 1929, and the second half on September 1, 1929."

Memorandum from Counsel dated June 20th, submitting draft of reply to letter dated June 11th from the Cashier of the Federal Reserve Bank of St. Louis, inquiring whether, in the preparation of reserve reports of member banks, cash items for which credit has been given the depositor and which have been forwarded to out of town banks for collection by placing in the mail, but have not

6/24/29

-3-

been charged to the account of such out of town banks, may be included in balances due from banks; the proposed reply pointing out that there seems to be no valid practical reason for the requirement that cash items which have been forwarded to out of town banks for collection should be charged to the account of such banks before being permitted to be classified as "due from" bank balances and that the Board has no objection to the classification of items of this kind as balances due from banks, although they have not been charged to the account of correspondent banks. In his memorandum, Counsel pointed out that the Board's Regulation "D" requires that such items be charged to the account of correspondent banks but that the instructions accompanying the Board's form of condition report of state member bank makes no such requirement, providing merely that amounts "due from" banks and trust companies should include "uncollected items payable on presentation which have been forwarded to banks for credit or collection and remittance." He recommended that at the time the regulations are next taken up for revision, consideration be given to striking out the words "and charged to the account of correspondent banks" which now appear in Regulation "D".

After discussion, upon motion, it was voted to advise all Federal Reserve banks of the question which has been raised and request an expression from them regarding the ruling recommended by Counsel.

Draft of reply, prepared by Counsel, to an inquiry from Messrs. Shearman and Sterling, attorneys for the National City Bank of New York, as to whether after the merger of that institution with the Farmers Loan and Trust Company of New York, the service of directors, officers and employees of the National City Bank as officers, directors and employees of the proposed "City Bank

6/24/29

-4-

Farmers Trust Company" will come within the provisions of an exception to the Clayton Act; the proposed reply stating that since it appears that after the merger is effected the entire capital stock of the "City Bank Farmers Trust Company" will be owned by the stockholders of the National City Bank, it will not be necessary for officers, directors and employees to secure the permission of the Board to serve the two institutions.

Upon motion, the proposed reply was approved.

Report of Committee on Salaries and Expenditures, dated June 21st, submitting June 30th dividend resolutions of the Federal Reserve banks, together with statements showing the estimated current net earnings and dividend requirements of each Federal Reserve bank during the first six months of 1929, the amount of reserves against probable losses on May 31st and estimated probable losses on paper of failed and over-extended banks; the Committee advising that the various dividend resolutions are in proper form and recommending that the payment of the semi-annual dividend by each Federal Reserve bank be authorized by the Board.

Upon motion, the recommendation of the Committee was approved.

Letter dated June 20th from the Federal Reserve Agent at San Francisco, replying to the Board's telegram of June 6th, with reference to certification of a check without sufficient funds on deposit to cover by the Bank of Rosalia, Rosalia, Washington; the Federal Reserve Agent recommending that in view of the small amount involved (\$13.46) and the apparent fact that the transaction was the result of ignorance on the part of the Assistant Cashier of the bank, without intent to do anything wrong, no action be taken by the Board.

6/24/29

-5-

Upon motion, the recommendation of the Federal Reserve Agent was approved.

The Governor then referred to the special order of business for this morning's meeting, namely, participation of the Federal Reserve banks in the proposed credit to the National Bank of Hungary. He stated that while in New York on Saturday he discussed the matter with Governor Harrison who advised that although he would be glad to come to Washington he did not believe he was in possession of any information regarding the matter which had not already been furnished the Board. He did state, however, that the proposed credit is for a period of three months with provision for two three months' renewals, and that arrangements have been made for the Bank of France to act as custodian of any bills purchased by other foreign central banks or pledged to secure advances. The only substantial difference from previous credit arrangements, the Governor stated, is that it is not believed necessary to require that the government of Hungary agree to interpose no objection or obstacle to the withdrawal of gold, if necessary to take up the bills at maturity. He stated it is felt that the credit will be sufficiently protected without that requirement, inasmuch as the Bank of England has earmarked gold in London for account of the National Bank of Hungary and while the Bank of England has no legal lien on this gold, it could not without difficulty be withdrawn from earmark against the wishes of the Bank of England. He also stated that the question of the rate on the credit has not been definitely determined although 7% has been suggested, which is probably more than the Federal Reserve banks would see fit to charge.

The Governor presented and the Assistant Secretary read a memorandum dated June 22nd, prepared by the Director of the Division of Research and Statistics,

6/24/29

-6-

in accordance with the request of the Board at the meeting on June 21st, with regard to the Hungarian balance of trade, the condition of the National Bank of Hungary and other financial data.

After discussion, upon motion, it was voted to defer consideration of the question of participation in the proposed credit by the Federal Reserve banks until the meeting tomorrow, and the Governor was authorized to advise Governor Harrison that it will not be necessary for him to come to Washington in connection with the matter.

The Board then proceeded with further consideration of the letter to all Federal Reserve banks, approved at the meeting of the Board on June 21st, outlining the attitude of the Board as to future credit policy, as set out in the letter of June 12th to the Federal Reserve Bank of New York, and calling a conference for July 10th.

It was the consensus of opinion that there is no necessity for a conference at such an early date, and, upon motion by Mr. James, it was voted that the proposed letter be transmitted after amendment so as to advise that a conference may be called later, without fixing a definite date.

The Governor then submitted draft of a letter to the Federal Reserve Agent at Chicago, prepared by the Chief of the Division of Bank Operations, with regard to a request made of that bank by the President of the Chicago Stock Exchange that he be furnished with figures of call loans by local banks in both the Chicago and New York markets; the proposed letter stating that the Board has no objection to the furnishing of the figures, with the understanding that they are for confidential use and not for publication.

After discussion, it was voted to amend the proposed letter so as to advise that in the opinion of the Board the question is one primarily for determination by the

6/24/29

-7-

Directors of the Federal Reserve Bank of Chicago,
and if they decide to comply with the request, the
Board will interpose no objection.

Letter dated June 22nd from the Governor of the Federal Reserve Bank of
Kansas City, transmitting newspaper clipping with regard to an investigation
into Federal Reserve operations in Oklahoma to be made under the direction
of Senator Pine of that state; the letter stating that in the opinion of the
directors of the Federal Reserve Bank of Kansas City it would be well, if it
meets with the approval of the Board, to address a letter to Senator Pine,
or to the economist who will make the proposed investigation, advising that
the records of the bank, as far as consistent with the confidential relations
with member banks, will be available and the Federal Reserve bank will give
him all the information it can to illustrate the operations of the bank, es-
pecially in the state of Oklahoma.

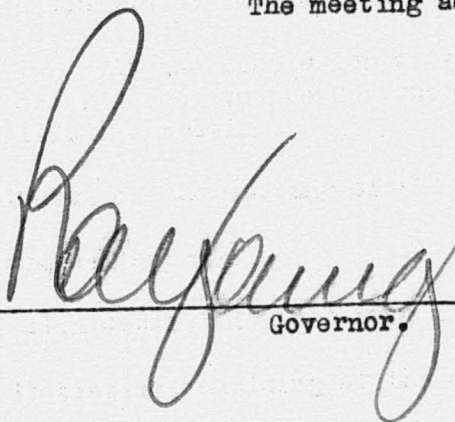
Upon motion, it was voted to interpose no objec-
tion to the action proposed by the Kansas City directors.

REPORTS OF STANDING COMMITTEES:

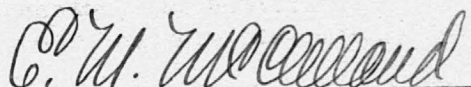
Dated, June 21st, Recommending changes in stock at Federal Reserve Banks as
24th, set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

The meeting adjourned at 1:00 p.m.

Approved:



Governor.



Assistant Secretary.