

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, July 16, 1929 at 11:00 a. m.

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

Mr. George S. Harris, Class C Director of the Federal Reserve Bank of Atlanta, was also present and discussed with the members of the Board a resolution adopted by the Atlanta directors at their meeting on July 12th that present conditions in the State of Florida make imperative the establishment of currency revolving funds of \$1,000,000 each in the cities of Miami and Tampa, to the end that member banks in the two cities or the vicinity thereof may readily obtain supplies of currency as urgent need therefor may arise; the directors having voted, subject to the approval of the Board, to establish said funds for a period of six months or for so much of said time as may be deemed necessary, under agreements to be approved by the Federal Reserve Board and secured by government securities equal in face value to 110% of such funds. In the directors' resolution, it was set out that in their opinion the funds will not be utilized for the purpose of supplying till money to the banks in the localities, nor for any purpose except to relieve such emergency situations as may occur, nor tend to create a precedent or induce requests for similar funds in other sections of the district. Mr. Harris discussed briefly conditions in Florida which have resulted in a low public morale in that state and the thought of the Atlanta directors that some action should be taken by the Federal Reserve bank which would have a good psychological effect.

Mr. Harris then left the meeting.

Mr. James, Chairman of the Committee on District #6, submitted and moved adoption of the following resolution:

"WHEREAS, in view of the unsettled banking situation in the State of Florida, the directors of the Federal Reserve Bank of Atlanta have voted, subject to the approval of the Federal Reserve Board, to establish at Miami, Florida and Tampa, Florida, for periods of six months, revolving currency funds in the amount of \$1,000,000 each, to be secured by the deposit of United States government obligations at their face value to the extent of 110% of the amount of currency on hand in the respective funds; and

WHEREAS, in the resolution of the directors of the Federal Reserve Bank of Atlanta voting to establish such funds, the opinion is expressed that the member banks acting as custodians will use the funds only for emergency purposes and will not take advantage thereof to reduce the amounts of till cash ordinarily carried;

THEREFORE, BE IT RESOLVED, that the Federal Reserve Board approve of the directors of the Federal Reserve Bank of Atlanta temporarily establishing revolving currency funds at Miami and Tampa, for periods not to exceed six months and subject to termination by the Federal Reserve Board at any time upon evidence that such funds are being used by the custodian banks in substitution in whole or in part of the amounts of vault cash ordinarily carried by them or for any other reasons."

The above resolution, being put by the Chair, was unanimously adopted.

Mr. Miller then advised the Board that he spent yesterday in New York and he reported discussions which he had with the Executive Committee of the Federal Reserve Bank and individuals there. The general impression which he obtained, he stated, is that the country is in the midst of a shifting credit situation and the greatest concern is regarding the future, as to which there are at present no reliable indicators. He expressed doubt as to the advisability of holding a credit conference at this time, but stated that, in his opinion, the Board should keep in close contact with the officials of the Federal Reserve Bank of New York. He stated that he suggested to Governor Harrison of the New York bank that the Board might be interested in having him come to Washington for a discussion of the present situation which Governor Harrison stated he would do if the Board wished, although it was not convenient for him at this time.

It was the consensus of opinion that there is no necessity for Governor Harrison to come to Washington, and Mr. Miller advised him accordingly over the telephone.

The minutes of the meeting of the Federal Reserve Board held on June 27th were then read and approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on July 2nd, 5th and 10th were read and, upon motion, the actions recorded therein were ratified.

Telegram dated July 12th from the Secretary of the Federal Reserve Bank of Cleveland, telegram dated July 11th from the Chairman of the Federal Reserve Bank of Richmond, telegram dated July 12th from the Secretary of the Federal Reserve Bank of Atlanta, telegram dated July 11th from the Secretary of the Federal Reserve Bank of Kansas City and telegram dated July 11th from the Chairman of the Federal Reserve Bank of San Francisco, all advising that their boards of directors at meetings on the dates stated made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated July 11th from the Assistant Secretary of the Federal Reserve Bank of New York, advising that the board of directors at a meeting on that date made no change in the bank's existing discount rate, but that effective July 12th, the following rates would be established for purchases of acceptances:

Bankers Acceptances:	
1 to 120 days	- 5 1/4%
121 to 180 days	- 5 1/2%
Repurchase	- 5 1/4%
Trade Acceptances	- 5 1/2%

Without objection, noted with approval.

Letter dated July 12th from the Governor of the Federal Reserve Bank of Boston, letter dated July 13th from the Secretary of the Federal Reserve Bank of Cleveland and telegram dated July 12th from the Chairman of the Federal Reserve Bank of Minneapolis, advising of the establishment of the following schedule of rates for purchases of acceptances, effective July 12th:

Bankers Acceptances:		
1 to 120 days	-	5 1/4%
121 to 180 days	-	5 1/2%
Repurchase	-	5 1/4%
Trade Acceptances	-	5 1/2%

Without objection, noted with approval.

Telegram dated July 12th from the Chairman of the Federal Reserve Bank of Chicago, telegram dated July 12th from the Deputy Governor of the Federal Reserve Bank of St. Louis and letter dated July 12th from the Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 120 days	-	5 1/4%
121 to 180 days	-	5 1/2%

Without objection, noted with approval.

Telegram dated July 12th from the Assistant Federal Reserve Agent at Richmond, advising of the establishment on that date of the following rates for purchases of bankers acceptances:

1 to 120 days	-	5 3/8%
121 to 180 days	-	5 5/8%

Without objection, noted with approval.

Matter approved on initials yesterday, namely, application on behalf of the Palmer National Bank and Trust Company of Sarasota, Fla., (organizing) for permission to exercise fiduciary powers, effective if and when authorized by the Comptroller of the Currency to commence business with a paid-in capital of \$100,000 and surplus of \$100,000.

Formally approved.

Application of the First National Bank of Anadarko, Okla., for permission to exercise general fiduciary powers; together with a divided report thereon by the Law Committee, Mr. Hamlin recommending approval and Mr. Platt stating he is unwilling to approve because of the capital of the bank which is \$50,000.

After discussion, upon motion, the application was approved, Mr. Platt voting "no".

Application of the Tipton National Bank, Tipton, Iowa, which the Board on April 9, 1929 authorized to act as trustee, for permission to exercise general fiduciary powers; together with a divided report thereon by the Law Committee, Mr. Hamlin recommending approval and Mr. Platt advising that, in his opinion, the application should be held. The Assistant Secretary also presented a memorandum from the Comptroller of the Currency recommending that the application for full powers be granted.

After discussion, upon motion, the application was approved, Mr. Platt voting "no".

Letter dated July 10th from the Deputy Governor of the Federal Reserve Bank of New York, advising that there has been no change in the Open Market Investment Account since his letter to the Board of July 3rd; the letter also stating that good demands continue in both the government security and bill markets.

Ordered circulated.

Letter dated July 13th from the Chairman of the Federal Reserve Bank of Atlanta, advising that Governor Black, or in his absence Deputy Governor Taylor, has been requested to attend a credit conference if called by the Board.

Noted.

Letter dated July 11th from the Secretary of the Federal Reserve Bank

of Kansas City, advising of discussion at the meeting of the directors on that date with regard to prospective credit conditions in the District during coming months.

Noted.

Letter dated July 13th from the Comptroller of the Currency, advising of an increase from \$1,020 to \$1,200 per annum, effective July 16th, in the salary of Mrs. Irma L. Smoot, Money Counter in the Federal Reserve Issue and Redemption Division.

Noted, with approval.

Letters dated July 6th, 8th, 10th, 12th and 15th from the Comptroller of the Currency, advising of the appointment, under authority previously granted by the Board, of the following employees in the Federal Reserve Issue and Redemption Division:

W. B. McCuen, Assistant Teller	-	\$1,800
Roman F. Dingler, Messenger	-	1,200
Mrs. Sarah Sithens, Money Counter	-	1,200
Mrs. Marguerite Stewart, Money Counter	-	1,200
Mrs. Aimee S. Reinohl, Money Counter	-	1,200
Mrs. Charlotte Ellis, Money Counter	-	1,200
Mrs. Sophia Pearce, Money Counter	-	1,200
Miss May E. LaPorte, Money Counter	-	1,200
Mrs. Henrietta T. Brinker, Money Counter	-	1,200
Mrs. Mary L. Snyder, Money Counter	-	1,200
Mrs. Colette A. Gililand, Money Counter	-	1,200
Mrs. Elizabeth Penn, Money Counter	-	1,200
Mrs. Mary F. Forbes, Money Counter	-	1,200
Mrs. Hilda Scott, Money Counter	-	1,200
Mrs. Amanda Matthews, Money Counter	-	1,200
Mrs. Frances F. Howard, Money Counter	-	1,200
Mrs. M. Marjorie Noone, Money Counter	-	1,200

Noted.

Report of Executive Committee on letter dated July 15th from the Comptroller of the Currency, recommending approval of an increase from \$4,800 to \$5,000 per annum in the salary of National Bank Examiner W. H. Baldrige and an

increase from \$6,000 to \$6,500 per annum in the salary of National Bank Examiner Frank R. Denton; the Board's Committee also recommending approval.

Approved.

Bond in the amount of \$50,000 executed under date of July 9, 1929 by Mr. J. Frank Rehfuss, Acting Assistant Federal Reserve Agent at the Federal Reserve Bank of Philadelphia.

Approved.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Cleveland, Richmond, St. Louis and San Francisco, of employees for whom the directors of those banks authorized leaves of absence with pay, on account of illness, during the month of June, 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.

Letter dated July 12th from the Treasurer of the United States, advising that no applications were received from National banks, during the quarter ended June 30, 1929, for the sale of bonds under the provisions of Section 18 of the Federal Reserve Act.

Noted.

Report of Executive Committee on letter dated July 1st from the Federal Reserve Agent at Kansas City, recommending approval of an application of the Kaw Valley National Bank, Topeka, Kansas, an outlying institution, for a reduction in its reserve requirements from 10% to 7% of demand deposits; the Board's Committee also recommending approval.

Unanimously approved.

Letter dated July 10th from the Governor of the Federal Reserve Bank of New York, advising that all Federal Reserve banks have agreed to partici-

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pate in the credit arrangement recently made with the National Bank of Hungary, which on July 9th took accommodation to the extent of \$2,500,000 under the terms of the agreement; the letter stating that the \$508,000 share of the Federal Reserve banks will be carried on the books in an account "Investments through Foreign Banks" and will be shown in the published statements along with other "Bills Bought in Open Market".

Noted.

Memorandum dated July 11th from the Vice Governor, advising that in accordance with the instructions of the Executive Committee at its meeting on that date, he took up with the Secretary of State, through the Acting Secretary of the Treasury, the matter of the publication in the Federal Reserve Bulletin of the summary prepared by Dr. Goldenweiser of the recent report of the Experts Committee for Settlement of the Reparations Problem and was advised that the State Department had no objection to its publication in the Bulletin. The Vice Governor reported that after conveying this information to the members of the Board present on July 10th, he advised the Assistant Director of the Division of Research and Statistics that the Committee report and the summary should be included in the forthcoming issue of the Bulletin.

Noted.

Memorandum dated July 12th from the Chief of the Division of Bank Operations, advising that at the request of the recent Governors' Conference he and Deputy Governor Rounds of the Federal Reserve Bank of New York, as a committee, addressed a letter to all Federal Reserve Banks with regard to the Federal Reserve Agents' Redemption Fund and asking for their views as to its discontinuance, all Federal Reserve Agents replying in favor of the discontinuance of the fund. With his memorandum, Mr. Smead submitted draft of a

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letter to the Secretary of the Treasury suggesting that if not inconsistent with Treasury policy the fund be discontinued at as early a date as practicable, with the understanding, of course, that it can be reestablished at any time in case necessity therefor arises.

Upon motion, the letter to the Secretary of the Treasury was approved and ordered transmitted.

Memorandum from Counsel dated July 12th, with reference to a letter dated July 3rd received from Mr. J. E. Bruce, attorney for the Consolidated Expanded Metal Companies, manufacturers of "steelcrete", which is used in the construction of bank vaults under the patents issued to Messrs. A. B. Trowbridge and O. W. TenEyck, who conducted the tests of vault construction for the Board and the Federal Reserve banks some years ago; the inquiry being with reference to obtaining a license permitting the free use by banks other than Federal Reserve banks of the patents in question. In his memorandum, Counsel submitted a letter addressed to Mr. A. B. Trowbridge advising of the inquiry which has been made and asking whether, in his opinion, there is any objection to the issuance of such permission.

During the discussion which ensued, certain members of the Board questioned the advisability of broadening the use of the patent referred to and it was voted to incorporate a statement to this effect in the proposed letter to Mr. Trowbridge which was then, upon motion, approved.

Memorandum from Counsel dated July 9th, with reference to a request of the Lincoln Bank and Trust Company, Louisville, Ky., for a hearing with regard to the sale of real estate mortgage bonds in excess of the amount permitted by the condition which the Board imposed upon the bank in a letter dated June 22, 1925, in which the Board interposed no objection to the plan of the bank to issue debentures secured by the deposit of first mortgages on real estate as collateral with a trustee, and to sell with its guarantee

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of payment at maturity the direct obligations of the borrower in the form of notes or bonds secured by first mortgages on real estate. The Assistant Secretary reported that this date was suggested for the hearing but was not convenient to the Lincoln Bank and Trust Company, which then agreed to postponement of the proposed hearing until the end of the present month.

Noted.

Matter approved on initials on July 11th, namely reply to telegram dated July 10th from the Federal Reserve Agent at San Francisco, advising that the Bureau of Investigation of the Department of Justice has requested a copy of the special report made by Federal Reserve Examiner Swengel relative to the transactions of S. C. Lewis and the Julian Petroleum Corporation with the Pacific Southwest Trust and Savings Bank of Los Angeles, disclosed in an examination of that institution made under date of February 5, 1927, which are now under investigation by the Department; the reply stating that the Board has no objection to the furnishing of the special report, but that if use is to be made of subsequent reports of the Federal reserve bank's credit investigation or the State's complete examination, only excerpts therefrom relating specifically to the matter under investigation should be furnished.

Upon motion, the telegraphic reply was formally approved.

Letter dated July 9th from the Chairman of the Federal Reserve Bank of Dallas, submitting for consideration by the Board a plan, together with certain forms, prepared by Counsel for that bank, in connection with the decision of the directors of the bank that it should act in the capacity of custodian of securities, including bankers' bills pledged to secure public deposits with member banks.

Following a discussion, during which it was the consensus of opinion that inasmuch as the plan and the proposed forms are drawn to meet State law, Counsel for the Federal Reserve Bank of Dallas is better qualified to pass upon them than the Federal Reserve Board, it was voted to advise the Federal Reserve Bank of Dallas that if the plan and forms are satisfactory to the directors of that bank, the Board will interpose no objection thereto.

Memorandum from Counsel dated July 10th, with reference to bill rendered by Mr. Newton D. Baker for services in the so-called Apfel (Foreign Financing Corporation) case, including fee of \$2,500 and expenses of \$438.49; Counsel referring to the Board's agreement with Mr. Baker to pay him a fee of \$2,500 for the trial of the case in the Supreme Court of the District of Columbia, and an additional fee of \$2,500 for the prosecution of all appeals or error proceedings, with the further understanding that such fees were to be in addition to any travel or incidental expenses incurred by him. Counsel stated that one fee of \$2,500 has been paid Mr. Baker and that in his opinion it would be inadvisable and probably illegal to pay the present bill until the case, which has been argued before the Court of Appeals of the District of Columbia, but may be carried, at any time up to September 3rd, to the Supreme Court of the United States, has been definitely and finally disposed of. He submitted draft of a letter to Mr. Baker reciting the circumstances and advising that the Board feels that the matter of his bill should be left in abeyance until the case is definitely disposed of, either by the lapse of time allowed for the institution of appeal proceedings or by the final disposition of any such proceedings.

With the memorandum from Counsel was a statement by Mr. Hamlin that in his opinion the fact that under Mr. Baker's agreement he may have to render further services in the Supreme Court of the United States, should not militate

against his right to receive compensation which he has already earned, assuming that for any further services he could receive no extra compensation.

Mr. Hamlin suggested that a payment on account might be made Mr. Baker at this time, and upon motion by him, the Executive Committee was authorized to make a payment on account to Mr. Baker of \$1,500 and his expenses of \$438.49, subject to approval as to the legality of such a payment by Counsel, and with the understanding that if, in the opinion of Counsel, such payment cannot be made, the letter to Mr. Baker above referred to should be transmitted.

Memorandum from Counsel, dated July 3rd, submitting draft of letter to the Federal Reserve Agent at Boston, with further reference to the interlocking directorates of Mr. John R. Macomber; the letter stating that when Mr. Macomber submits an application to the Board for permission to serve at the same time the First National Bank of Boston, The Harris, Forbes Trust Company of Boston, and the Harris Trust and Savings Bank of Chicago, he should also furnish the Board with information as to whether the Harris, Forbes Trust Company has taken over the banking functions now being exercised by Harris, Forbes and Company, Incorporated, with which he is also connected.

Upon motion, the proposed letter was approved.

Letter dated June 25th from the Comptroller of the Currency commenting upon a letter addressed to the Board by the Federal Reserve Agent of Chicago, under date of June 14th, with regard to the possibility of instituting suit for forfeiture of the charter of a national bank because of continued deficiency in reserves and referring to the provision of the Board's Regulation D that whenever a national bank has been deficient in reserves, for each computation period during six consecutive months, the Federal Reserve Agent should promptly report the fact to the Board with a recommendation as to whether the Board should direct the Comptroller to bring suit

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for forfeiture of charter. In his letter, the Comptroller stated that while he would feel that his duty necessitated the institution of a suit should the Board direct him to bring it, he would do so with great reluctance, inasmuch as such action would in almost any instance necessitate the appointment of a receiver for the institution sued. The Comptroller explained to the Board verbally that while he would welcome an opportunity to bring a well founded suit against some large national bank, he believed it would be unfortunate if steps to forfeit the charter of a small institution should be taken because of a technical violation of law.

After discussion, upon motion the above matter was referred to the Vice Governor and the Comptroller with power.

Memorandum from Counsel, dated June 22nd, with reference to the application of the Lakeport National Bank of Laconia, New Hampshire, capital \$50,000, for permission to act as trustee, executor, administrator, guardian of estates, assignee and receiver; Counsel stating (1) that the Board has heretofore ruled that it may not grant to national banks in New Hampshire the right to act as administrator and guardian of estates; (2) that the Board may legally grant the Lakeport National Bank the right to act as trustee and executor with its present amount of capital, and (3) that while he is of the opinion that the Board may legally authorize the Lakeport National Bank to act as assignee and receiver with the amount of capital which it now has, the question is not entirely free from doubt and under the general Incorporation Act of New Hampshire, it would seem advisable for the Board to require the Lakeport National Bank to have a capital of at least \$100,000.

After discussion, upon motion, it was voted to address a letter to the Federal Reserve Agent at Boston, requesting him to advise the Lakeport National Bank of the question as to the legality of the Board granting all of the powers applied for under its present capital and suggesting an increase in the capital of the institution to \$100,000.

REPORTS OF STANDING COMMITTEES:

- Dated July 12th Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated July 11th Recommending action on applications for fiduciary powers, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- 12th
- Dated July 12th Recommending action on applications for admission of state banks, subject to the conditions stated in the individual reports attached to the applications, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- 13th
- Dated July 11th Recommending approval of the application of Mr. C. O. Kalman for permission to serve at the same time as director of the St. Paul National Bank, as director of the First National Bank, and as director of the Northwestern Trust Company, all of St. Paul, Minnesota. Recommendation approved.

The meeting adjourned at 1:10 p. m.

C. W. Mc Clelland
Assistant Secretary

Approved:

Edmund Platt
Vice-Governor