

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, August 9, 1929 at 11:30 a.m.

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

The Assistant Secretary submitted an application for membership in the Federal Reserve System and for 690 shares of stock in the Federal Reserve Bank of Atlanta by the Nashville Trust Company, Nashville, Tennessee, preliminary to a merger with the Fourth and First National Bank of Nashville, Tennessee.

He also submitted a memorandum from Counsel with respect to certain branches of the Nashville Trust Company, outside the city limits of Nashville, established prior to February 25, 1927 by the Fourth and First Trust Company of Nashville and acquired by the Nashville Trust Company through consolidation with the Fourth and First Trust Company. In his memorandum, Counsel stated that while the question is not free from doubt, he is of the opinion that, in view of the opinion received from the Counsel for the Federal Reserve Bank of Atlanta and a statement from the Superintendent of Banks of his official views as to the status of the branches, the Board would be justified from a legal standpoint, in admitting the bank to membership and permitting it to retain the out of town branches referred to. The Assistant Secretary also submitted a report of the Committee on Examinations recommending approval of the application of the Nashville Trust Company for membership and for 690 shares of stock in the Federal Reserve Bank of Atlanta, as well as approval of its proposed consolidation with the Fourth and First National Bank of Nashville; the membership being recommended subject to the regular conditions of membership contained in the Board's Regulation "H", Series of 1929, and subject

to inclusion in the Board's letter of advice to the applicant bank of the following special paragraph:

"The Board understands that the Nashville Trust Company has never exercised, and is not now exercising, the power it has under its articles of incorporation to guarantee payment of bonds and mortgages, or to guarantee titles to real estate. The Board wishes to direct your attention to the fact that under Condition No. 1 above set out no change in the general character of your business or in the scope of the corporate powers now exercised may be made, except with the permission of the Board. The Federal Reserve Board will consider the exercise of the powers you have to guarantee bonds and mortgages or to guarantee titles to real estate which are not now being exercised by you as among the changes referred to in this condition of membership. The Board does not intend by this to indicate that it will in no event permit you to exercise any such powers, but wishes it to be understood that in case you should desire to exercise any of them, it is required that you first ask and obtain the permission of the Board."

Upon motion, the application for membership and the proposed consolidation were approved in accordance with the recommendation of the Committee.

Telegrams dated August 8 from the Deputy Chairman of the Federal Reserve Bank of Richmond and the Chairman of the Federal Reserve Bank of Kansas City, both advising that their boards of directors at meetings on that date, made no changes in their banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated August 8 from Mr. Hamlin, advising of his intention to increase the salary of his private secretary, Mrs. Margaret L. Nagle, from \$2,700 to \$2,800 per annum, effective August 1, 1929.

Noted.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Richmond and St. Louis, of employees for whom the directors of those banks approved leaves of absence with pay, on

account of illness, during the month of July, 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 Examinations on letter dated August 5th from the Federal Reserve Agent at Cleveland, requesting permission to use representatives of his Examination Department in the Central Savings and Trust Bank, Akron, Ohio, at the time that institution is under examination by the State authorities, for the purpose of making an investigation in accordance with his letter of March 22, 1929, and without expense to the member bank; the Committee recommending that the Board interpose no objection to the use of one examiner in the State member bank named.

Upon motion, the recommendation of the Committee was adopted.

Letter dated August 7th from the Federal Reserve Agent at Atlanta, reporting six member banks which were deficient in reserves in every semi-monthly computation period during the six months ending June 30, 1929; the Agent recommending that no action be taken by the Board at this time under the provisions of Regulation "D".

Referred to Committee on District #6.

Report of Committee on Examinations on letter dated August 6th from the Assistant Federal Reserve Agent at St. Louis, with reference to the sale of real estate mortgage bonds by State member banks in Louisville; the Assistant Federal Reserve Agent recommending that the Liberty Bank and Trust Company of Louisville be permitted to engage in this class of business subject to the following condition, similar to that previously imposed by the Board on the Lincoln Bank and Trust Company and the Louisville Trust Company:

"Except with the permission of the Federal Reserve Board, the total liability of the Liberty Bank and Trust Company arising from the sale of its first mortgage collateral trust bonds, plus its aggregate liability to depositors, shall not at any time be greater than ten times the amount of the paid-in and unimpaired capital and surplus of the Liberty Bank and Trust Company."

The above recommendation, being concurred in by the Committee on Examinations was, upon motion, approved.

The Assistant Secretary then referred to the request of the Lincoln Bank and Trust Company of Louisville for a hearing before the Board regarding its real estate mortgage business and the condition to which this business was made subject by the Board. He stated that advice has been received from the Federal Reserve Bank of St. Louis that it is desired to postpone the proposed hearing until next month.

There was no objection to the postponement of the hearing.

Memorandum from Counsel dated August 2nd, with reference to the Clayton Act applications of Messrs. Fred H. Esdohr, Rodney E. Andrews and Joseph E. Fitch, involving the Jefferson Park National Bank and the Norwood Park Trust and Savings Bank, both of Chicago, Illinois, and the Citizens State Bank of Park Ridge, Illinois; Counsel stating that the applicants have heretofore been granted permission to serve the two banks first named, and as the Citizens State Bank of Park Ridge does not come within the prohibitions of the Clayton Act, permission of the Board as to this bank is not necessary.

Upon motion, letters to the applicants advising them accordingly, submitted by Counsel with his memorandum, were approved.

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Memorandum dated August 2nd from the Comptroller of the Currency, with reference to the matter referred to him at the meeting on July 30th, namely, complaint of the Auburn State Bank, Auburn, Indiana, against certain advertising of the City National Bank of Auburn; the Comptroller stating that in cases of this kind it is the practice of his office to write to the bank complained of that certain statements used in its advertisements are misleading and unethical and should be discontinued, as a result of which, replies have been invariably received that the objectionable advertisement has been discontinued.

Upon motion, it was voted to request the Comptroller of the Currency to take up with the City National Bank of Auburn the question of the advertising matter being used by it, reporting the results to the Board.

Letter dated July 30th from the Chairman of the National Rehabilitation Committee of the American Legion, with regard to the desirability of bringing to the attention of the veterans of the world war the possibilities and advantages of Government insurance offered under the amendment of May 29, 1928 to the World War Veterans' Act; the letter requesting cooperation of the Board in the issuance of a circular explaining the liberal provisions of the amendment to the personnel under its control.

Referred to the Governor with power.

Letter dated July 29th from Stansbury and Company, Chicago, Ill., transmitting a letter addressed to stockholders by the President of the First Federal Foreign Banking Corporation, advising that the directors did not declare payment of the dividend due on August 15th next and stating also that the directors have under consideration a recommendation to the stockholders that the Company be converted into a domestic investment trust company; the letter to the Board inquiring - (1) whether the Federal Reserve Board has made the proper

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examinations of the Corporation, and whether they found the Company to be conducting its affairs strictly in accordance with the provisions of the Federal Reserve Act, and (2) whether anything can be done to prevent a change in the Corporation from Federal to State charter, and force a liquidation, so that stockholders will have returned to them their investment which was made principally because of the powers and supervision over the Company by the Federal Reserve Board, set out in Section 25 (a) of the Federal Reserve Act.

Upon motion, it was voted to refer the question of the liquidation of the Corporation to the Board's Counsel, and the Governor and Mr. James were appointed a Committee to make an interim reply to the letter covering the matter of the Board's examinations.

The minutes of the meeting of the Federal Reserve Board held on July 16th were then read and approved.

The minutes of the meetings of the Executive Committee held on July 18th, 30th and August 1st were read and, upon motion, the actions recorded therein were ratified.

The reading of the minutes of the meeting of the Executive Committee held on August 6th and the minutes of the meetings of the Federal Reserve Board held on August 2nd, 7th and 8th, was dispensed with.

The Assistant Secretary reported that the Board's Counsel had ruled adversely on the question of a payment on account of Mr. Newton D. Baker, for services in the so-called Apfel case, conditionally authorized by the Board at the meeting on July 16th, and that in accordance with instructions of the Board, the Executive Committee dispatched to Mr. Baker the letter submitted at that meeting. He stated that Mr. Baker replied to the letter that the action of the Federal Reserve Board in holding the payment in abeyance is

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entirely agreeable to him.

The Governor then submitted a letter dated August 7th 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 during the past week, except that the participation of the Federal Reserve Bank of St. Louis, amounting to \$13,625,000, has been taken over temporarily by the other Federal Reserve Banks; the letter also stating that the Government security market remains unchanged, but that the supply of new bills is a little ahead of the demand which fact, together with present money conditions, accounts for a fairly large increase in bills held under sales contract, so that although the volume of bills held by the System as outright purchases has declined, the published totals may slightly exceed last week.

Noted.

Letter dated August 8th from the Secretary of the Federal Reserve Bank of New York, advising of the following resolution adopted by the board of directors of the bank at its meeting on that date:

"Voted, subject to review and determination of the Federal Reserve Board, to establish a rate of six per cent. for all rediscounts and advances, effective from the opening of business August 9, 1929 and until further notice and superseding the existing rate but with the understanding that this action of the board of directors of this bank is predicated upon approval or disapproval by the Federal Reserve Board today."

Noted.

In the same letter it was reported that the directors also voted to establish, effective simultaneously with the above change in the discount rate, a rate of 5 1/8% on sales contracts covering Government securities and approved a report by the officers that the following currently effective

minimum buying rates would be established August 9th:

Bankers Acceptances:		
1 to 120 days	-	5 1/8%
121 to 180 days	-	5 1/2%
Repurchase	-	5 1/8%
Trade Acceptances	-	6 %

After some discussion with regard to the present procedure of establishing Open Market buying rates, it was voted that the rates established by the New York bank, as reported above, be "noted, with approval", Mr. Cunningham not voting.

Telegram dated August 9th from the Governor of the Federal Reserve Bank of Boston, advising of the establishment of the following rates for purchases of bankers' acceptances, effective today:

1 to 120 days	-	5 1/8%
121 to 180 days	-	5 1/2%
Repurchase	-	5 1/8%

Noted, with approval.

Telegrams dated August 9th from the Chairman of the Federal Reserve Bank of Chicago and the Deputy Governor of the Federal Reserve Bank of St. Louis, advising of the establishment of the following rates for purchases of bankers' acceptances, effective today:

1 to 120 days	-	5 1/8%
121 to 180 days	-	5 1/2%

Noted, with approval.

Telegram dated August 9th from the Assistant Federal Reserve Agent at Richmond, advising of the establishment of the following rates for purchases of bankers' acceptances, effective today:

1 to 120 days	-	5 1/4%
121 to 180 days	-	5 5/8%

Noted, with approval.

After further discussion of the question of bill rates, it was voted that the matter be given further consideration at a meeting of the Board to be held



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at 10:00 o'clock tomorrow morning.

REPORTS OF STANDING COMMITTEES:

- Dated, August 6th, 7th, 8th, 9th, Recommending changes in stock at Federal Reserve banks, as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, August 5th, 8th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, August 2nd, Recommending approval of the application of Mr. Roland E. Wilcox, for permission to serve at the same time as director of The Jefferson Park National Bank, Chicago, Illinois, and as director of The Empire Trust and Savings Bank, Chicago, Illinois.  
Approved.
- Dated, August 5th, Recommending approval of the application of Mr. Gordon R. Campbell, for permission to serve at the same time as director and officer of the Merchants and Miners Bank, Calumet, Michigan and as director and officer of the Superior National Bank, Hancock, Michigan.  
Approved.
- Dated, August 8th, Recommending approval of the application of Mr. Charles E. Blackford, Jr., for permission to serve at the same time as officer and director of the Peoples Trust and Guaranty Company, Hackensack, New Jersey, as officer and director of the Teaneck National Bank, Teaneck, New Jersey, and as director of the First National Bank in Lodi, New Jersey.  
Approved.
- Dated, August 8th, Recommending approval of the application of Mr. Claude M. Shill, for permission to serve at the same time as director of the Woodlawn-American National Bank of Birmingham, Alabama, and as officer of the American-Traders National Bank, Birmingham, Alabama.  
Approved.
- Dated, August 8th, Recommending approval of the application of Mr. John A. Hand, for permission to serve at the same time as officer and director of the Woodlawn-American National Bank of Birmingham, Alabama, and as officer of the American-Traders National Bank, Birmingham, Alabama.  
Approved.
- Dated, August 9th, Recommending approval of the application of Mr. H. H. Newhall, for permission to serve at the same time as officer and director of the Bank of East Portland, Portland, Oregon and as director of the First National Bank, Portland, Oregon.  
Approved.

REPORTS OF STANDING COMMITTEES: (Continued)

Dated, August 9th

Recommending approval of the application of Mr. Henry F. Cabell, for permission to serve at the same time as director of the First National Bank, Portland, Oregon and as director of the Bank of East Portland, Portland, Oregon.

Approved.

Dated, August 9th

Recommending approval of the application of Mr. C. F. Adams, for permission to serve at the same time as officer and director of the First National Bank, Portland, Oregon and as director of the Bank of East Portland, Portland, Oregon.

Approved.

Dated, August 9th

Recommending approval of the application of Mr. E. R. Corbett, for permission to serve at the same time as officer and director of the First National Bank, Portland, Oregon and as director of the Bank of East Portland, Portland, Oregon.

Approved.

Dated, August 9th

Recommending approval of the application of Mr. A. L. Mills, Jr., for permission to serve at the same time as officer of the First National Bank, Portland, Oregon and as director of the Bank of East Portland, Portland, Oregon.

Approved.

Dated, August 9th

Recommending approval of the application of Mr. Richard Peale, for permission to serve at the same time as director of the First National Bank, Spangler, Penn., and as director of the County National Bank, Clearfield, Penn.

Approved.

The meeting adjourned at 1:00 p. m.

*C. W. McCalland*

Assistant Secretary

Approved:

*Ray Young*

Governor