

A meeting of the Federal Reserve Board was held in the Office of the Federal Reserve Board on Thursday, August 15th, 1929, at 10:30 a. m.

PRESENT: Governor Young
Mr. Platt
Mr. Miller
Mr. Cunningham
Mr. Pole
Mr. McClelland, Assistant Secretary.

The minutes of the meetings of the Federal Reserve Board held on August 2nd, 8th and 9th were read and approved.

The minutes of the meetings of the Executive Committee of the Federal Reserve Board held on August 6th and 10th were read and approved.

The minutes of the meeting of the Federal Reserve Board held on August 7th were read and approved as amended.

Matters noted, with approval, by the Executive Committee on August 12th and 13th, under the authority granted it at the meeting of the Board on August 10th, namely, telegram dated August 10th from the Chairman of the Federal Reserve Bank of Minneapolis, and letter dated August 9th from the Secretary of the Federal Reserve Bank of Cleveland, advising of the establishment of the following schedule of rates for purchases of acceptances:

1 to 120 days	5 1/8%
121 to 180 days	5 1/2%
Repurchase	5 1/8%
Trade bills	6%

Upon motion, the action of the Executive Committee was ratified.

Matter noted, with approval, by the Executive Committee on August 13th, namely, telegram dated August 13th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment of the following schedule of rates for purchases of acceptances:

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1 to 120 days	-	5 1/8%
121 to 180 days	-	5 1/2%
Repurchase	-	5 1/4%

Upon motion, the action of the Executive Committee was ratified.

Telegram dated August 14th from the Governor of the Federal Reserve Bank of Boston, telegram dated August 9th from the Secretary of the Federal Reserve Bank of Cleveland, telegram dated August 9th from the Secretary of the Federal Reserve Bank of Atlanta, and telegram dated August 12th from the Secretary of the Federal Reserve Bank of Minneapolis, all advising that their boards of directors at meetings on the dates stated made no changes in their banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated August 14th from the Director of the Division of Research and Statistics, transmitting and recommending acceptance of the resignation of Mrs. E. Bess Hamilton, Statistical Clerk, effective at the close of business September 15th; the Director recommending that Mrs. Hamilton be granted thirty days annual leave to be used prior to September 15th.

Upon motion, the resignation was accepted in accordance with the recommendation of the Director.

Report of Committee on Salaries and Expenditures on letter dated August 12th from the Federal Reserve Agent at Cleveland, recommending approval of a salary of \$4,000 per annum for Mr. E. I. Gilbert, who has been employed as an Examiner, to fill one of two vacancies existing in his Department of Examinations; the Board's Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated

August 9th from the Secretary of the Federal Reserve Bank of Atlanta, recommending approval of a salary of \$3,900 per annum for Mr. John M. Burke, employed as Special Representative of the Failed Bank Department, effective July 23, 1929; the Board's Committee recommending approval.

Approved.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of New York, Cleveland, Atlanta and Kansas City, 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.

Letter dated August 12th from the Assistant Federal Reserve Agent at New York advising of the proposed merger of the International Union Bank, a member institution, and the Madison State Bank, a nonmember, both of New York, under the name of the member bank.

Noted.

Report of Committee on Examinations on letter dated August 7th from the Assistant Federal Reserve Agent at St. Louis, recommending that the Board approve the exercise of trust powers by the Natural Bridge Bank of St. Louis under authority issued by the Commissioner of Finance of the State, together with a change in its title to "Natural Bridge Bank and Trust Company"; the Board's Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated August 8th from the Assistant Federal Reserve Agent at Cleveland, recommending approval of

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an application of the First Trust and Savings Bank, Akron, Ohio, for permission to take over the assets and assume the deposit liability of the National City Bank of Akron, under state charter and under the name of the "First-City Trust and Savings Bank"; the Board's Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated August 5th from the Federal Reserve Agent at San Francisco, recommending approval of the action of the State Bank of Wilbur, Washington, in purchasing the assets and assuming the deposit liability of the Farmers State Bank of Wilbur; the Board's Committee also recommending approval.

Approved.

Report of Committee on District No. 6 on the matter referred to it at the meeting on August 9th, namely, letter dated August 7 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 30th; the Committee concurring in a recommendation of the Federal Reserve Agent that no action be taken by the Board at this time under Regulation D.

Upon motion, the recommendation was approved.

Letter dated August 12th from the Assistant Attorney General replying to the Board's letter of July 30th, and advising that the Department of Justice has no objection to offer to the publication or the wording of the statement proposed for publication in the Federal Reserve Bulletin suggesting to National banks that they carefully scrutinize all advertisements of bond issues under which they are acting as trustees, with a view to preventing the use of misleading statements in such advertisements, which may be construed

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as indicating a degree of governmental supervision not warranted by the facts.

Upon motion, publication of the proposed statement in the Federal Reserve Bulletin was approved.

Matter approved on initials yesterday, namely, telegram to the Federal Reserve Agent at Chicago, with reference to the maintenance of reserves by the Chicago Trust Company, a new corporation formed by the consolidation of the former Chicago Trust Company, a member bank, and the Woodruff State Bank, a nonmember, under Section 12 of the Illinois Banking Laws; the telegram stating that in view of the fact that the corporate existence of the former member bank has terminated, the consolidated institution is not a member of the Federal Reserve System and should not be required to maintain a reserve balance with the Federal Reserve Bank.

Upon motion, the telegram was formally approved.

Memorandum from Counsel dated August 13th, on the matter referred to him at the meeting on August 9th, namely, letter dated July 29th from Stansbury and Company, Chicago, Illinois, with regard to the possibility of conversion of the First Federal Foreign Banking Corporation into a State corporation; Counsel submitting draft of a letter to the Company advising that there is no provision in Section 25 (a) of the Federal Reserve Act for the conversion of such a corporation into a State Corporation, by operation of law, so that its corporate existence will be preserved or that its assets and liabilities will be automatically transferred to the State corporation, and further, that if a State corporation, independently organized, should purchase and take over the assets of an Edge corporation, this operation would not serve to terminate the corporate existence of the Federal corporation, which would still be in existence with all of the privileges and duties

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theretofore possessed by it, and which in order to effect a termination of its existence, would still necessarily have to dissolve in the manner provided by Section 25 (a), namely, by a vote of the shareholders owning two-thirds of the stock that the corporation be placed in liquidation and closed.

After discussion, upon motion, the letter submitted by Counsel was approved.

During the discussion, the Assistant Secretary suggested that a letter also be addressed to the First Federal Foreign Banking Corporation calling attention to the information which has come to the Board, and advising that if the corporation has under consideration a plan involving any material change in the character of its business or in its corporate structure, the Federal Reserve Board should be fully advised.

Upon motion, the suggestion of the Assistant Secretary was approved and the matter of the form of letter to be transmitted to the corporation was referred to the Governor with power.

Memorandum from Mr. James dated August 14th, submitting a letter dated August 13th from the Chairman of the Federal Farm Board transmitting correspondence addressed to him from Fort Worth, Texas, with respect to an advance in money rates in that territory, which is explained as being due to the recent increase in the Federal Reserve Bank discount rate.

After discussion, the above matter was referred to the Governor with power, and with the suggestion that he advise Mr. Legge, Chairman of the Federal Farm Board, that the Federal Reserve Bank of Dallas has not increased its discount rate, the only increase having been by the Federal Reserve Bank of New York, and that the matter of the advance in money rates in Texas is being taken up with the Federal Reserve Bank of Dallas.

Memorandum dated August 6th from Counsel on letter dated August 3rd

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from the Federal Reserve Agent at Cleveland, transmitting copy of an option for the purchase of 5,200 shares of stock in the Erie Trust Company, Erie, Pennsylvania, taken by the former Security Savings and Trust Company of Erie, a member bank, and now held by the Security-Peoples Trust Company of Erie, whose application for membership in the Federal Reserve System was recently approved by the Board, following consolidation of the Security Savings and Trust Company and the Peoples Trust Company of Erie; Counsel stating that if the Security-Peoples Trust Company becomes a member of the System, subject to the conditions of membership imposed by the Board, it will be necessary for it to obtain permission of the Federal Reserve Board if it desires to purchase the stock in the Erie Trust Company upon which it now has an option, and further, that he knows of no legal reason why the Board should not grant such permission.

After discussion, upon motion, it was voted to advise the Federal Reserve Agent at Cleveland that the question of approval of the purchase of the stock by the Security-Peoples Trust Company is one of policy on which the Board would like to have his recommendation.

The Governor then reported that effective August 19th, his Private Secretary, Mr. S. R. Carpenter, will be transferred to the Secretary's Office, and Mr. A. M. Stone, now of the Secretary's Office, will be designated as his Private Secretary.

At this point, Governor Harrison and Deputy Governor Kenzel of the Federal Reserve Bank of New York entered the room. The Governor referred to a report in this morning's papers of arrangements made, or under way, by the Bank of England for a credit in New York in the amount of \$250,000,000, the Federal Reserve Bank of New York being mentioned as the medium through

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which the arrangements have been or are to be made.

Governor Harrison advised the Board, that for a year or more at different times, when gold was coming to this country from England, inquiry was made of the Bank of England regarding the advisability of purchases of Sterling by the Federal Reserve banks, but that the Bank of England had preferred to support Sterling by other means on those occasions. No mention of the matter was made, Governor Harrison stated, from late last Fall until Governor Norman was in this country recently when he advised that he would prefer that the Federal Reserve banks not buy Sterling at the time because the relief thus afforded might be only temporary, and the results of its withdrawal later might be more harmful than the purchases would be of benefit at the time. No mention as to a credit arrangement for a stated period was made. Governor Harrison stated that last week, following the increase in the discount rate of the Federal Reserve Bank of New York, when Sterling was quite weak, he mentioned the possibility of purchases to Governor Norman, who advised that he felt a little differently about it but that he would like to think it over.

A cablegram received from Governor Norman on Tuesday, Governor Harrison stated, advised that, if the Federal Reserve banks desire to buy Sterling, say \$25,000,000 to \$50,000,000, it was believed the Bank of England could provide about half in bills. Governor Harrison stated that then for the first time he asked whether, if Governor Norman felt that purchases of Sterling under present circumstances might embarrass him later on if withdrawn, he had given any thought as to the possibility of a gold credit somewhat along the lines of that arranged in 1925. Nothing further has been

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heard from Governor Norman, Governor Harrison stated, and possibly will not at the present time, although in the event the Federal Reserve bank should buy Sterling now and Governor Norman should later feel that withdrawal would be harmful, he might then pursue the matter further.

Governor Harrison stated that he suggested to Mr. McGarrah that the question of the purchase of twenty or twenty-five million of Sterling during the next two weeks be discussed with the directors of the New York bank at their meeting today, and he requested an expression of the Board's opinion.

After considerable discussion, the Governor stated that due to the absence of certain members of the Board, he could not give an indication of its attitude, but that he would attempt to secure an expression at the earliest opportunity.

Discussion then ensued with respect to the bill policy of the System during the coming months and the possibility of working out a new procedure covering the establishment of buying rates. Governor Harrison and Mr. Kenzel advised the Board of the present procedure and the desirability of continuing to give the operating officers of the New York bank some leeway in the matter of changing the effective bill rates. Governor Harrison stated that the present minimum authorized rate which was approved by the Board some years ago is now of no practical effect and that the minimum authorized rates fixed by the directors of the Federal Reserve Bank of New York, under which the officers cannot go, are also entirely out of line. He suggested that the minimum rate authorized by the Board should have some relation to the discount rate of the bank, running in normal times, one-half percent below the discount rate with a maximum one-half percent above that rate. Governor Young suggested, under

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present conditions, a minimum rate of five percent with a maximum of six percent, and after some discussion, suggested a procedure along the following lines:

That the Board authorize a minimum rate of five percent and a maximum rate of six percent; that the Board then give to the Executive Committee or the Executive Officer authority to approve effective rates within the minimum and maximum approved by the Board; and that the operation of the bill policy be left to the officers of the New York bank until a point is reached where the New York directors or the Board feel that bills are being accumulated too rapidly or too slowly, in which event the matter of a change in the effective rate, and if necessary, the minimum and maximum rates would be brought up for discussion.

Mr. Miller suggested a maximum of five and one-half percent instead of six.

At the conclusion of the discussion, upon motion, it was voted "that in the absence of a quorum of the Board the Executive Committee, or in its absence, the Executive Officer of the Board be authorized to approve effective buying rates within the limits of a five percent minimum and the five and one-half percent maximum, excepting the Federal Reserve Banks of Dallas and Atlanta where four and seven-eighths percent and four and one-half percent rates are now in effect on short maturities and the Federal Reserve Bank of Richmond, where a rate of five and five-eighths percent has been established on long maturities, such rates applying to bills originating in the respective districts."

Mr. Miller stated that if the question of an increase in the discount rate of the Federal Reserve Bank of Chicago should come up in his absence, he wished to be recorded as opposed and stated that he would vote "no" were he present. He stated that this represents his attitude on increases in the discount rates of the other Federal Reserve banks in general.

REPORTS OF STANDING COMMITTEES:

Dated, August 12th, Recommending changes in stock at Federal Reserve Banks,
13th, as set forth in the Auxiliary Minute Book of this date.
14th,

Recommendations approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, August 8th, Recommending action on applications for fiduciary
9th, powers as set forth in the Auxiliary Minute Book
12th, of this date.
14th, Recommendations approved.

Dated, August 10th, Recommending approval of the application of Mr.
Harris Moriarty, for permission to serve at the
same time as officer and director of the Leeds-
American National Bank, Leeds, Alabama, and as
officer of the American Traders National Bank,
Birmingham, Alabama.

Approved.

Dated, August 10th, Recommending approval of the application of Mr.
Herbert S. North, for permission to serve at the
same time as director of the Elizabeth Trust Company,
Elizabeth, N. J., as director of the Journal Square
National Bank, Jersey City, N. J., and as director
of the Midtown Bank of New York, N. Y.

Approved.

Dated, August 14th, Recommending approval of the application of Mr. Carl
L. Jernberg, for permission to serve at the same time
as director and officer of the Halsted Exchange Nation-
al Bank, Chicago, Ill., and as director and officer
of the West Side Trust and Savings Bank, Chicago,
Ill.

Approved.

Dated, August 14th, Recommending approval of the application of Mr. William
H. Regnery, for permission to serve at the same time
as director of the Halsted Exchange National Bank,
Chicago, Illinois, and as director of the West Side
Trust and Savings Bank, Chicago, Ill., and as director
of the First National Bank, Hinsdale, Ill.

Approved.

Dated, August 14th, Recommending approval of the application of Mr. Edgar
Heymann, for permission to serve at the same time as
director of the Halsted Exchange National Bank, Chi-
cago, Ill., and as officer of the West Side Trust and
Savings Bank, Chicago, Ill.

Approved.

Dated, August 14th, Recommending approval of the application of Mr. Herbert
S. Pflaum, for permission to serve at the same time as
director of the Halsted Exchange National Bank, Chi-
cago, Ill., and as director and officer of the West
Side Trust and Savings Bank, Chicago, Ill.

Approved.

Dated, August 14th, Recommending approval of the application of Mr. P. C.
Hale, for permission to serve at the same time as
director of the Bank of Italy National Trust and Savings

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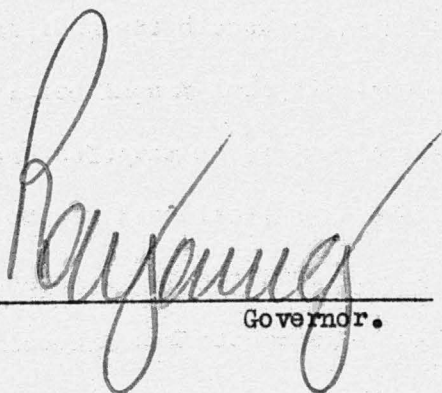
REPORTS OF STANDING COMMITTEES: (Cont'd)

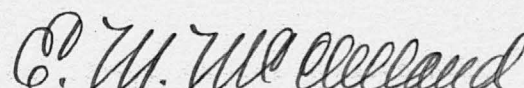
Association, San Francisco, Cal., as director of the First National Bank, San Jose, Cal., and as director of the Bank of America, National Association, New York, N. Y.

Approved.

The meeting adjourned at 1:45 p.m.

Approved:



Governor.

Assistant Secretary.