

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, September 3, 1929 at 10:45 a.m.

PRESENT: Governor Young
Mr. Hanlin
Mr. James
Mr. Cunningham
Mr. Pole
Mr. McClelland, Asst. Secretary

The minutes of the meeting of the Federal Reserve Board held on August 22nd were read and approved.

Letter dated August 28th from the Chairman of the Federal Reserve Bank of New York, advising that during the week of August 19th £1,500,000 Sterling was bought and invested in bills and that on August 27th £705,000 was purchased, which it is expected will be placed in bills; the letter stating that whether any further purchases are made will depend on developments in the foreign exchange market, and expressing the opinion of the Chairman that the purchases made, together with the sales of dollars which have been made by the Bank of England, have helped to prevent gold imports.

The Governor reported telephone advice from the Federal Reserve Bank of New York that in addition to the Sterling purchased by the Federal Reserve Bank the Bank of England has liquidated approximately \$11,000,000 of its dollar holdings, so that over the last ten days it has taken approximately \$21,000,000 in purchases of Sterling or sales of dollars to prevent gold imports.

Noted.

Letter dated August 28th 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 August 21st; the letter also commenting upon conditions in the government securities and bill

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markets, including advice that it will probably be the middle of September before any very important increase takes place in the total volume of acceptances.

Noted.

Telegram dated August 23rd from the Chairman of the Federal Reserve Bank of Chicago and telegram dated August 22nd from the Chairman of the Federal Reserve Bank of Kansas City, both advising that their boards of directors at meetings on the dates stated made no change in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated August 30th from the Chairman of the Federal Reserve Bank of Chicago, advising that the Executive Committee at a meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Memorandum dated August 22nd from Counsel, with reference to application for the surrender of 900 shares of stock in the Federal Reserve Bank of Chicago, issued to the Home Bank and Trust Company of Chicago, which recently consolidated with the Hatterman and Glanz State Bank of Chicago, a nonmember, under a new charter, thereby terminating its membership in the System; Counsel expressing the opinion that the application may be approved by the Board but suggesting that the Federal Reserve Agent at Chicago be advised that before he pays over the proceeds of the stock to the agent named in the application he should obtain a resolution from the board of directors of the consolidated bank authorizing him to do so.

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Upon recommendation of the Law Committee, the application was approved in accordance with Counsel's suggestion.

Report of Executive Committee on letter dated August 24th from the Federal Reserve Agent at Atlanta, transmitting and recommending approval of an application of the Whitney National Bank, New Orleans, La., for permission to accept drafts drawn upon it by banks or bankers in Guatemala, Central America, for the purpose of creating dollar exchange; the Board's Committee recommending approval.

After discussion, upon motion, it was voted to authorize the Whitney National Bank of New Orleans to accept, for the purpose of furnishing dollar exchange, drafts drawn upon it by banks or bankers in the several countries heretofore approved by the Board.

Matter approved on initials on August 26th, namely, letter dated August 23rd from the Comptroller of the Currency, recommending approval of a salary of \$3,300 for National Bank Examiner H. G. Harrison, assigned to the Eighth Federal Reserve District.

Formally approved.

Matter approved on initials on August 28th, namely, letter dated August 22nd from the Assistant Federal Reserve Agent at Cleveland, transmitting and recommending approval of an application of the Central Savings and Trust Company, Akron, Ohio, for permission to take over the Kenmore Banking Company of Akron.

Formally approved.

Letter dated August 26th from the Assistant Federal Reserve Agent at Cleveland, with further reference to the option for the purchase of 5200 shares of stock of the Erie Trust Company held by the Security - Peoples Trust Company of Erie, Pa., a member bank; the Assistant Federal Reserve Agent

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advising that the stock may be sold to present and prospective stockholders of the Erie Trust Company, thereby releasing the member bank from its obligation, and that it is believed it would be better to defer recommendation by the Federal Reserve Agent until a final report is made by the committee appointed by the board of directors of the member bank to determine what disposition is to be made of the stock.

Noted.

Matter approved on initials on August 29th, namely, reply to telegram dated August 28th from the Federal Reserve Agent at Dallas, with regard to the necessity for an application by the Central Trust Company of San Antonio for permission to merge the City National Bank and the Guaranty State Bank of San Antonio; the reply stating that in similar cases the Board has previously taken the position that it is not necessary for a member bank to apply for the Board's permission to consolidate with another bank if, in the opinion of the management of the member bank, the consolidation will not result in a change in the general character of the member bank's assets or broadening of its functions, such as might tend to affect materially the standard maintained at the time it was admitted to the Federal Reserve System. In the Board's telegram, it was also stated that since in the present case the Federal Reserve Agent appears to agree with the member bank that no such change will be effected by the consolidation and since the Board was advised of the proposed merger at the time the member bank was admitted to the System, an application would seem unnecessary.

Upon motion, the Board's telegram was formally approved.

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Telegram sent by the Governor on August 27th to the Governor of the Federal Reserve Bank of San Francisco, in reply to an inquiry regarding a request that the Federal Reserve Bank act as custodian in connection with advances to be made by the new Federal Farm Board to the Sun-Maid Raisin Growers Association; the telegram reading as follows:

"Have attempted to learn from Federal Farm Board mechanics of transaction mentioned in your wire of yesterday, but so far have been unable to get details, which are being worked out. Quorum of Board not present and therefore can only express my own opinion. If request comes from Federal Farm Board to act for them as depository of bonds and in disbursing payments, you can handle as fiscal agency matter upon direction of Secretary of Treasury. If, however, functions are to be performed in interest of Sunmaid Raisin Growers Association or others, and not as fiscal agency matter, you may be establishing precedent which would make subsequent similar transactions embarrassing to turn down. Furthermore, in latter event, if directors of another Federal reserve bank should refuse to perform similar functions question might be referred to Board for legal decision which would probably hold transactions ultra vires. My conclusion therefore is that if you are anxious to perform the function you should arrange with Federal Farm Board to request Secretary of Treasury to direct you to act in the matter as fiscal agent for Federal Farm Board."

After considerable discussion, regarding the transaction referred to and the possibility of the Federal Reserve banks being requested to act in connection with other advances which may be made from time to time by the Federal Farm Board, the telegram above quoted was noted with approval.

Letter to the Civil Service Commission, transmitted under date of August 28th, with the approval of the Governor and Mr. Hamlin, forwarding report of the personnel of the Federal Reserve Board as authorized by the Board at its meeting on August 22nd.

Noted, with approval.

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Letter dated August 31st from the Chairman of the Federal Reserve Bank of Atlanta, transmitting one addressed to him by the Governor of the bank with reference to the proposed establishment of a revolving currency fund at Miami, Fla.; the enclosure setting forth that contract for the establishment of the fund has not been executed and will not be at the present time, but will be held for the six months' period authorized by the Board so that the fund can be put into operation whenever necessary during that period to continue from the date of its execution for the remainder of the six months authorized by the Board.

Noted.

Letter dated August 31st from the Federal Reserve Agent at Dallas, advising that the Farmers State Guaranty Bank, Valliant, Okla., was deficient in its reserves during every computation period for six consecutive months ending July 31st; the Agent recommending that no action be taken by the Board at this time under Regulation "D", inasmuch as the matter has been taken up with the directors of the bank and its reserve balance has now been increased well above requirements.

Noted, with approval.

The Assistant Secretary then referred to the request of the Lincoln Bank and Trust Company of Louisville for a hearing regarding its real estate mortgage bond business, which at the meeting on August 9th, was postponed at the request of the member bank.

Upon motion, Thursday, September 19th
was fixed as the date for the hearing.

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The Governor then submitted correspondence with the Governor of the Federal Reserve Bank of San Francisco, Chairman of the Governors' Conference, with regard to the possibility of holding the Fall Conferences of Governors and Federal Reserve Agents on dates which will enable the Governors and Agents to attend the annual dinner of the American Acceptance Council. He stated that the Acceptance Council dinner will be held on Monday, November 11th, and suggested that the Conferences be held beginning Wednesday, November 13th.

After discussion, upon motion, it was voted to tentatively fix November 13th, 14th and 15th as dates for the Fall Conferences.

Letter dated August 19th from the Federal Reserve Agent at Atlanta, advising that since making application for membership in the Federal Reserve System the Nashville Trust Company, Nashville, Tennessee, has purchased 600 shares of stock of the First National Bank, Kingsport, Tennessee and 350 shares of the Bank of Kingsport, Tennessee, thus obtaining control of both institutions; the Agent requesting advice from the Board and expressing the opinion that the stock would not have been purchased, with an application for membership pending, if the officers of the Nashville Trust Company had informed themselves of the condition of membership set out in Regulation "H", providing that except with the approval of the Board a member bank admitted thereunder should not acquire an interest in any other bank or trust company through the purchase of stock.

The Assistant Secretary reported that the Board was advised under date of August 23rd of acceptance by the Nashville Trust Company of the conditions of membership, including the one above referred to, imposed upon it by the

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Board when its application was approved on August 9th, but he presented a letter dated August 29th from the Federal Reserve Agent at Atlanta advising that the required stock payment has not been made by the Nashville Trust Company which has requested postponement of the date of its becoming a member of the System until completion of arrangements for its consolidation with the Fourth and First National Bank of Nashville. He also presented a letter dated August 29th from the Nashville Trust Company, advising that the merger with the Fourth and First National Bank may be delayed until January 1930, because of the inability of that institution to dispose of its circulating bonds and retire its national bank note circulation, as a result of which it is requested that the application of the Nashville Trust Company for membership be treated as pending until arrangements for the proposed merger can be completed.

The Assistant Secretary called attention to the fact that in advising the Nashville Trust Company on August 9th of the Board's approval of its application for membership, the bank was also advised, in accordance with the Board's policy, that the time within which the conditions of membership might be accepted and appropriate payment made on account of Federal Reserve Bank stock is limited to thirty days from the date of approval of the application, unless extended by the Board for good cause.

A detailed discussion ensued as to the advisability of an extension until January 1930 of the time in which the Nashville Trust Company may complete its arrangements for membership in the System during which it was pointed out that the application was approved on the basis of the bank's present condition which might be materially changed before its actual admission into the System.

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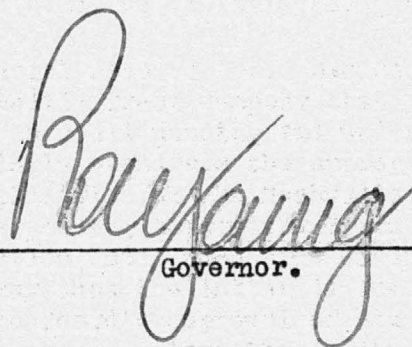
Following the discussion, the matter was referred to the Governor for report at the next meeting of the Board.

REPORTS OF STANDING COMMITTEES:

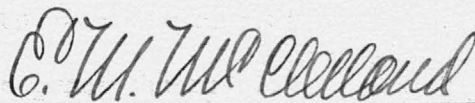
- Dated, August 23rd, 26th, 28th, 30th, 31st, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, August 23rd, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendation approved.
- Dated, August 21st, Recommending approval of the application of Mr. Albert Kluge for permission to serve at the same time as director of the First National Bank & Trust Company of Pompton Lakes, N. J., and as director of the Citizens Trust Company, Paterson, N. J. Approved.

The meeting adjourned at 12:00 o'clock noon.

Approved:



 Governor.



 Assistant Secretary.