

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, September 19, 1929 at 11:00 a.m.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. James
Mr. Cunningham
Mr. McClelland, Asst. Secretary
PRESENT ALSO: Mr. Smead, Chief of the Division of
Bank Operations.
Mr. Wyatt, General Counsel.

Mr. Noel Rush, President of the Lincoln Bank and Trust Company of Louisville, Mr. Dale, attorney for that institution, and Mr. L. H. Bailey of the Examination Department of the Federal Reserve Bank of St. Louis, were also present and the Board conducted a hearing regarding the real estate mortgage bond business handled by the Lincoln Bank and Trust Company under a condition imposed by the Board on July 22, 1925, that "the total liability of the Lincoln Bank and Trust Company as obligor on bonds issued by it and as guarantor of notes or bonds secured by real estate mortgages and sold by it ***, plus its aggregate liability to depositors, will not at any time exceed an amount equal to ten times its unimpaired capital and surplus".

The Assistant Secretary reported that some time ago the limit fixed by the Board was exceeded, and correspondence between the member bank and the Federal Reserve Bank of St. Louis resulted in a request for a hearing before the Board.

Messrs. Rush and Dale then advised the Board that the real estate mortgage bonds handled by that institution are not direct obligations of the bank but are obligations of customers of the bank and are sold with a guaranty by the bank of payment of interest and an agreement to repurchase if not paid at maturity by the principal obligors. The bonds, they stated, are secured

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by specific pieces of real estate and are paid on a monthly amortization basis. If the regular payments are not made, they stated that the property securing the bond is foreclosed and the bond called for payment, as a result of which policy no bond has ever matured in default. They expressed the opinion that inasmuch as the bank has no direct liability in connection with these bonds, their sale should not be limited to the figure fixed in the condition imposed by the Board. They pointed out that the bonds handled by their institution differ from those sold by other member banks in Louisville, which are direct liabilities, being in the form of debentures of the issuing bank secured by a general pool of real estate mortgages.

The Board then went into executive session and discussed the advisability of amending the condition previously imposed on the Lincoln Bank and Trust Company. It was agreed that the bonds issued by the Lincoln Bank and Trust Company represent a contingent, if not a direct, liability and come within the limitations prescribed by the Board. It was the consensus of opinion that although there would seem to be no objection to the volume of such business now handled by the bank or to some increase in that volume, it would be unwise to fix a definite higher figure to which the bank should be permitted to go. The suggestion was made that the board should advise the member bank that although its aggregate liability on account of deposits and real estate mortgage bonds sold with its agreement to repurchase at maturity has exceeded the limit fixed by the Board, no objection will be interposed at this time or in the future unless and until, in the opinion of the Board, the aggregate liabilities of the bank reach too large a figure, and then only after reasonable notice to the bank and an opportunity to be heard.

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Messrs. Rush and Dale were then called back into the meeting and, after discussion, advised the Board that adoption of this suggestion would be agreeable to them.

Upon motion by Mr. James, the Governor was authorized to prepare an appropriate letter to the Federal Reserve Bank of St. Louis.

Messrs. Rush, Dale, Bailey and Smead then left the meeting.

At this point, President Fleming of the Riggs National Bank of Washington and President Donaldson of the Commercial National Bank of this city entered the room and discussed with the Board the question of reserves against certain deposits carried by their institutions which, in their opinion, should be classed as government deposits. The Governor stated that the matter has already been brought to the attention of the Board by the Federal Reserve Bank of Richmond which has been requested to secure from the member banks, for the information of the Board, complete information regarding the character of the deposits in question. He stated that the matter would be carefully considered by the Board and, at the request of Mr. Donaldson, he and Mr. Fleming were extended the privilege of consulting with the Board's General Counsel before any formal ruling is made by the Board.

Matter approved on initials on September 17th, namely, application for the surrender of 3,000 shares of stock in the Federal Reserve Bank of Chicago, standing in the name of the Chicago Trust Company, Chicago, Illinois, which recently consolidated with the Woodruff State Bank, a nonmember institution.

Formally approved.

Telegrams dated September 18th from the Chairmen of the Federal

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Banks of Philadelphia and St. Louis, both advising that their boards of directors at meetings on that date made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of New York and Richmond of employees for whom the directors of those banks approved leaves of absence with pay, on account of illness, during the month of August, in cases 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 September 16th from the Federal Reserve Agent at Chicago, advising that on September 22nd he will leave for San Francisco to attend the annual convention of the State Bank Commissioners on September 25-26 and the convention of the American Bankers Association the following week, returning to his office about the middle of October.

Noted.

Report of Committee on Salaries and Expenditures on letter dated September 12th from the Chairman of the Federal Reserve Bank of Boston, advising that the Association of State Bank Commissioners is to be invited to hold its 1930 convention in Boston, and requesting approval by the Board of an expenditure of \$500 for entertainment in case the invitation is accepted; the Board's Committee recommending approval.

Approved.

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Report of Committee on Examinations on letter dated September 13th from the Assistant Federal Reserve Agent at Cleveland, transmitting correspondence in connection with recent reports of examination of the Gibsonburg Banking Company, Gibsonburg, Ohio, the Steubenville Bank and Trust Company, Steubenville, Ohio and the Union Savings Bank and Trust Company of Steubenville, Ohio; the letter stating that the correspondence has been reviewed by the Executive Committee of the Federal Reserve Bank which did not take formal action, although it requested that it be kept informed of the progress being made by the institutions.

Upon recommendation of the Committee on Examinations, the above letter was noted.

Report of Committee on Examinations on letter dated September 13th from the Assistant Federal Reserve Agent at Cleveland, advising that in view of unsatisfactory conditions disclosed by the recent state examination of the Citizens Banking and Trust Company, Conneaut, Ohio, arrangements are being made for a joint examination within the next few days, the expense of Federal Reserve bank participation to be assessed against the member bank.

Upon recommendation of the Committee on Examinations, the above matter was noted.

Matter approved on initials on September 17th, namely, acceptance of the resignation of Mr. John D. Heising as Assistant Federal Reserve Examiner, effective at close of business September 17th.

Formally accepted.

Memorandum dated September 17th from the Chief of the Division of Bank Operations, transmitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc., during the month of August and

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for the eight months ending August 31st.

Ordered circulated.

Letter dated September 11th from the Deputy Governor of the Federal Reserve Bank of New York, with regard to the status of the Open Market Investment Account and conditions in the bill and government security markets.

Noted.

The Assistant Secretary then presented for the record the following resolution adopted by the Federal Advisory Council following its meeting with the Board on September 17th:

"The Advisory Council, after consideration of Governor Young's explanation of the open market policy adopted following the fixing of the New York Federal Reserve Bank rate at 6%, believes that the increasing of the New York Bank rate to 6% and the reduction in the buying rate for bills in the open market have worked satisfactorily thus far and have the approval of the Council.

The Council concurs in the thought that the Federal reserve banks should buy acceptances to such an amount as may be necessary to avoid any greater burden on commercial business and suggests that these purchases should be made only as the need develops."

Noted.

Governor Young then referred to a telephone conversation with Governor Harrison of the Federal Reserve Bank of New York, regarding the advisability of holding a meeting of the Open Market Investment Committee early next week for the purpose of considering the purchase of a limited amount of government securities. He stated that Tuesday was suggested as the date for the meeting and no objection was expressed by the members of the Board.

REPORTS OF STANDING COMMITTEES:

Dated, September 18th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, September 7th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

Dated, September 17th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual report attached to the application, as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

Dated, September 19th, Recommending approval of the application of Mr. Frank J. Kohn for permission to serve at the same time as director and officer of the Peoples National Bank and Trust Company of Chicago, Ill., and as director of the Standard National Bank of Chicago, Ill.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. Clarence R. Webster for permission to serve at the same time as director and officer of the Peoples National Bank and Trust Company of Chicago, Ill., and as director and officer of the Standard National Bank of Chicago, Ill.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. R. W. Schlesinger for permission to serve at the same time as director of the Peoples National Bank and Trust Company of Chicago, Ill., and as director of the Standard National Bank of Chicago, Ill.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. E. Nylin for permission to serve at the same time as officer of the Peoples National Bank and Trust Company of Chicago, Ill., and as director of the Standard National Bank of Chicago, Ill.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. H. C. Laycock for permission to serve at the same time as director and officer of the Peoples National Bank and Trust Company of Chicago, Ill., and as director and officer of the Standard National Bank of Chicago, Ill.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. Robert B. McEwan, Sr., for permission to serve at the same time as director of the National Iron Bank of Morristown, N. J., and as director of the First National Bank of Whippany, N. J.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, September 19th, Recommending approval of the application of Mr. Calvin A. Agar for permission to serve at the same time as director of the First National Bank of Whippany, N. J., and as director of the National Iron Bank of Morristown, N. J.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. Wm. G. Berlinger for permission to serve at the same time as director of the National Security Bank & Trust Company of Philadelphia, Pa., and as director and officer of the Integrity Trust Company of Philadelphia, Pa.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. Carroll P. Bassett for permission to serve at the same time as director of the First National Bank & Trust Company of Summit, N. J., and as director of the New Jersey National Bank & Trust Company of Newark, N. J.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. J. Wm. Hardt for permission to serve at the same time as officer of the Philadelphia National Bank of Philadelphia, Pa., as director of the Republic Trust Company of Philadelphia, Pa., and as director of the United Security Life Insurance & Trust Company of Philadelphia, Pa.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. James G. Bright for permission to serve at the same time as director of the Florida National Bank of Jacksonville, Fla., and as director of the Florida National Bank at Lakeland, Fla.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. Benjamin S. Weathers for permission to serve at the same time as director and officer of the Florida National Bank of Jacksonville, Fla., and as director of the Florida National Bank at Lakeland, Fla.

Approved.

Dated, September 19th, Recommending approval of the application of Mr. John K. Hardy for permission to serve at the same time as director and officer of the Bankers Trust Company of Salt Lake City, Utah, as director and officer of the National Copper Bank of Salt Lake City, Utah, and as director of the First National Bank of Park City, Utah.

Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, September 19th, Recommending approval of the application of Mr. Waddil Catchings for permission to serve at the same time as director of the Manufacturers Trust Company of New York City, as director of the Foreman National Bank of Chicago, Ill., and as a member of the firm of private bankers doing business under the name of Goldman, Sachs & Company of New York City.

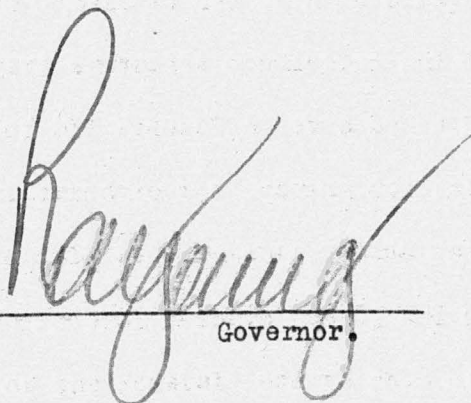
Approved.

Dated, September 19th, Recommending approval of the application of Mr. Mercer V. White for permission to serve at the same time as director of the First National Bank of Mexico, N. Y., and as director and officer of the First Trust & Deposit Company of Syracuse, N. Y.

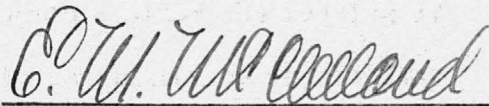
Approved.

The meeting adjourned at 1:30 p.m.

Approved:



 Governor.



 Assistant Secretary.