A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, October 1, 1929 at 11:30 a.m.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. Cunningham
Mr. Noell, Asst. Secretary

PRESENT ALSO: Mr. Wyatt, General Counsel
Mr. Vest, Asst. Counsel

The Governor submitted a proposed letter addressed to the Acting Attorney General for the signature of the Secretary of the Treasury, advising, in reply to an inquiry, that the Secretary would have no objection to the publication of the recent opinion of the Attorney General relative to authority of a state member bank of the Federal Reserve System to establish a branch in a foreign country since February 25, 1927, or acquire such branch by consolidating with a state bank which has absorbed or taken over a liquidating national bank having such a foreign branch established since February 25, 1927 and continue to retain stock in the Federal Reserve bank.

Approved.

Memorandum from Counsel dated September 23rd, suggesting that the above mentioned opinion of the Attorney General, together with a brief introductory statement, be printed in the forthcoming issue of the Federal Reserve Bulletin.

Approved.

The Governor then presented a letter to the Vice President of the Foreign Trade Securities Company, Ltd., which the Assistant Secretary, at the meeting on September 25th, was instructed to prepare, advising that the Federal Reserve Board has voted to extend for an additional period of thirty days from September 23rd, the reservation of the title, "Foreign Banking and Investment
Corporation", for the corporation proposed to be organized under Section 25 (a) of the Federal Reserve Act, and requesting advice as to the present prospects for completion of the proposed organization.

Approved.

The minutes of the meeting of the Federal Reserve Board held on September 25th were then read and approved.

Report of Law Committee on application of The National Bank of North Kansas City, Mo., for general fiduciary powers, the Board's Committee recommending that the application should not be granted at this time, in view of the bank's present unsatisfactory condition and the fact that its surplus does not equal 20% of its capital.

After discussion, upon motion, the application was referred to the Comptroller of the Currency for his recommendation.

Report of Committee on Examinations on application of the Bank of Athens Trust Company, New York, N. Y., for membership in the Federal Reserve System, the board of directors of the New York bank apparently recommending disapproval because of the fact that the Banque d'Athens, Greece, owns 96% of the capital stock and the ten directors in the United States hold only ten shares each.

After some discussion, the Governor was instructed to write a letter to the Chairman of the Federal Reserve Bank of New York, requesting further information as to the reasons for the recommendation of his board of directors, the Board feeling that the ownership of the stock of the applying bank was not in itself sufficient grounds for disapproval of the application.

Report of Committee on Salaries and Expenditures on letter dated September 25, 1929, from the Chairman of the Federal Reserve Bank of Boston, requesting action by the Board on a proposed expenditure involved in connection with the
action by the board of directors of that bank in voting that, subject to the approval of the Federal Reserve Board, the Governor be authorized, upon request therefor, to reimburse any member bank represented at the Stockholders meeting on November 8, 1929, for the amount expended by not more than one representative of such bank for railroad fare and Pullman accommodation in attending that meeting; the Board's Committee recommending approval.

Approved.

Telegram dated September 25th from the Chairman of the Federal Reserve Bank of Boston, telegram dated September 27th from the Secretary of the Federal Reserve Bank of Chicago and telegram dated September 26th from the Chairman of the Federal Reserve Bank of Kansas City, all advising that their boards of directors at meetings on the dates stated made no changes in their existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Matter approved on initials on September 27th, namely, report of Law Committee on application of the First National Bank of New Milford, Conn., for general fiduciary powers, the Board's Committee recommending approval.

Formally approved.

Matter approved on initials on September 28th, namely, report of Law Committee on application of the Peoples National Bank of Fairmont, W. Va., on behalf of the Union National Bank of Fairmont, for general fiduciary powers; the Board's Committee recommending approval, effective if and when the proposed consolidation of the Peoples National Bank of Fairmont, the Fairmont Trust Company and the Home Savings Bank of Fairmont, W. Va., is authorized.
by the Comptroller of the Currency and the new institution commences business as the Union National Bank of Fairmont.

Formally approved.

Matters approved on initials on September 27th, namely, letters dated September 27th from the Comptroller of the Currency, recommending a salary of $2700 per annum for National Bank Examiner Harold L. Wray, assigned to the Ninth Federal Reserve District, and a salary of $2700 per annum for National Bank Examiner Lysle S. Burk, assigned to the Seventh Federal Reserve District.

Formally approved.

Report of Executive Committee on application of the Ensley National Bank of Birmingham, Ensley, Ala., an outlying institution, for a reduction in its reserve requirements from 10% to 7% of demand deposits; the Board’s Committee recommending approval.

Unanimously approved.

The Governor announced that the term of Mr. James as a member of the Executive Committee expired on September 30th and that in regular rotation Mr. Cunningham will serve on the Committee during the quarter ending December 31st.

The Assistant Secretary presented a memorandum dated August 17th from the Board’s Counsel, with further reference to the question of the policy to be pursued by Federal Reserve banks in asserting rights on behalf of depositors of unremitted-for transit items against receivers of insolvent member banks; together with a proposed letter to all Federal Reserve banks outlining a pro-
posed uniform policy and requesting that all Federal Reserve banks adhere strictly thereto.

A discussion followed after which, upon motion, action on the matter was deferred.

The Chairman then entered the room and took the Chair.

Governor Young presented the following letter to the Chairman of the Open Market Investment Committee, which was read by the Assistant Secretary, and moved its approval:

"The Federal Reserve Board has reviewed the report and recommendation of the Open Market Investment Committee as of September 24, 1929.

The Board approves of your program to continue the purchasing of bills, and if necessary supplement the program by purchasing short-time Government securities for those reserve banks that desire to participate for the purposes mentioned in your recommendation, to wit:— 'For the purpose of avoiding any increase and, if possible, facilitating some further reduction in the total volume of member bank discounts during the fall season, if this can be done without stimulating unnecessary or abnormal expansion of member bank credit.' The Board, to this end, grants the authorization requested to purchase short-time Government securities at not to exceed $25,000,000 a week.

In authorizing such purchases, the Board is approving mainly for seasonal reasons and such approval should not be interpreted as a reversal of former policies.

The Board welcomes and adopts the suggestion contained in the recommendation of the Committee that there be careful current review of the consequences of such purchases, and you will be advised promptly by the Board if at any time it believes that purchases should be discontinued or the procedure changed.

It is also agreeable to the Board that the Committee meet with it again at some date, later to be determined, but not later than November 1st."

Governor Young stated that he had discussed the proposed letter with Messrs. James and Pole, and that Mr. James had expressed himself as being opposed to the purchase of Government securities at this time, but that Mr. Pole favors
A discussion ensued as to the desirability of the Board's giving its approval to the action proposed in the letter, after which Mr. Cunningham offered the following resolution as a substitute motion:

"RESOLVED, that the Federal Reserve Board, having under consideration the recommendations of the Open Market Committee submitted on September 24, 1929, in the exercise of its powers of review and determination, interposes no objection to the additional purchase of bills by the Open Market Committee for System Account; providing, this is confined solely to the purchase of bills.

BE IT FURTHER RESOLVED, that the Board respectfully suggest for the favorable consideration of the Committee, a reduction in the bill rate of one-eighth per cent. on all maturities, in the belief—

(a) that it will increase the volume of bills, and thereby offset in a measure any increase in the cost of credit for seasonal uses.

(b) that it will bring the bill rate into better relationship with the discount rates at eleven of the Federal Reserve Banks of the System.

(c) that it would be helpful in avoiding the necessity of open market purchases of Government securities which in effect releases credit which has the least possibility of control.

BE IT FURTHER RESOLVED that the recommendation of the Committee requesting approval of the purchase of short-time government securities, be held under review, pending a reply from the committee to the suggestions contained in this resolution; or, if deemed advisable, a conference with the Board."

After further discussion, Mr. Cunningham's motion being put by the Chair was lost, the members voting as follows:

Mr. Cunningham, "aye"
The Chairman, "no"
Governor Young, "no"
Mr. Platt, "no"
Mr. Hemlin, "no"
Mr. Miller, "not voting"

A vote was then taken on the original motion and the letter proposed by Governor Young was approved, the members voting as follows:
The Chairman, "aye"
Governor Young, "aye"
Mr. Platt, "aye"
Mr. Hamlin, "aye"
Mr. Miller, "no"
Mr. Cunningham, "no"

Mr. Hamlin, in explanation of his vote, stated that he favored the original motion as he construed the action proposed in the letter as being not essentially different from the procedure contemplated in the substitute motion submitted by Mr. Cunningham.

The Governor then referred to the matter of the advisability of the Federal Reserve Bank of New York lending assistance to the Federal Land Banks during the next few months in the form of purchases of special short-term bonds, issued by them, in an amount between $10,000,000 and $20,000,000, and asked for an expression from the other members of the Board. He explained that this action will probably be necessary because of the present condition of the bond market which makes it impossible for the land banks to secure the necessary funds through the medium of that market.

A discussion followed during which it was indicated that the Board would interpose no objection to purchases of such bonds by the New York bank in an amount between $10,000,000 and $20,000,000, should that action be found necessary.

At this point, the Chairman left the meeting.

The Assistant Secretary then presented a memorandum from Counsel dated August 28th, regarding the desirability of amending Section 13 of the Federal Reserve Act to conform to Section 5200 of the Revised Statutes.

After discussion, action on the matter was deferred.
REPORTS OF STANDING COMMITTEES:

Dated, September 26th, 30th, October 1st,
Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, September 30th, October 1st,
Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, September 27th,
Recommending approval of the application of Mr. Albert B. Merrill for permission to serve at the same time as director of the National Bank and Trust Company of Skaneateles, N. Y., as director and officer of the First Trust & Deposit Company of Syracuse, N. Y., and as director of the Solvay Bank, Solvay, N. Y.
Approved.

Dated, September 27th,
Recommending approval of the application of Mr. Joseph W. Harriman for permission to serve at the same time as director and officer of the Harriman National Bank and Trust Company of New York City, as director of the Roslyn National Bank and Trust Company of Roslyn, N. Y. and as director of the First National Bank of Glen Head, N. Y.
Approved.

Dated, September 30th,
Recommending approval of the application of Mr. Henry H. Relapp for permission to serve at the same time as director of the National Bank of Commerce of Los Angeles, Cal., and as director of the Deseret National Bank of Salt Lake City, Utah.
Approved.

Dated, September 30th,
Recommending approval of the application of Mr. J. Mayo Lenz for permission to serve at the same time as director of The Upper Avenue Bank of Chicago, III., as director of the National Builders Bank of Chicago, III., and as director of the Security and Second Security Bank of Chicago, Ill.
Approved.

Dated, September 30th,
Recommending approval of the application of Mr. H. Everton Hosley for permission to serve at the same time as director of the First National Bank & Trust Company of New Haven, Conn., and as director of the Union Trust Company of Springfield, Massachusetts.
Approved.

Dated, September 30th,
Recommending approval of the application of Mr. Lynn T. Hannahs for permission to serve at the same time as director of the First National Bank of Kenosha, Wis., and as director of the Brown National Bank of Kenosha, Wis.
Approved.
The meeting adjourned at 1:30 p.m.

Approved: 

[Signature]

Governor.

[Signature]

Assistant Secretary.