

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, October 28, 1929 at 11:00 o'clock.

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

The Governor reported a telephone conversation with Deputy Governor Kenzel of the Federal Reserve Bank of New York, who advised him that with a buying rate of 5% in effect the Federal Reserve bank is not getting any bills, the rate on which in the market this morning is $4 \frac{5}{8}\%$. He stated that there has been a large reduction in brokers loans and that corporations and bankers in the interior are calling such loans and investing in bills, Governments and commercial paper. As a result, he stated, New York City banks have increased their borrowings at the Federal Reserve bank to \$155,000,000 and it is possible their loans may run up to \$250,000,000 or \$300,000,000 in the next few days. The Executive Committee at the New York bank meets today and, he stated, will probably give some consideration to the advisability of purchasing Government securities. It is also possible, he stated, that the New York bank may further reduce its effective buying rate on bills.

Members of the Board expressed the opinion that no further reduction in the bill rate should be made at this time as the easing program of the System seems to be progressing satisfactorily.

A discussion ensued regarding the procedure now in effect in the establishment of rates for purchases of acceptances, and Mr. Miller moved that the resolution adopted by the Board at the meeting on August 15th be

amended to read as follows:

"That no change in bill rates shall be effective until after approval by the Federal Reserve Board and 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 such minimum and maximum rates as may be approved by the Board."

At this point, Mr. Platt joined the meeting.

During the discussion, the Governor referred to correspondence with Governor Harrison of the Federal Reserve Bank of New York, subsequent to the adoption of the Board's resolution of August 15th, advising of the establishment of a minimum authorized rate of 5% by the board of directors of the New York bank and their feeling that the spread between the minimum and maximum rates authorized should be 1% instead of 1/2% as suggested by the Board. At the meeting of the New York directors on last Thursday, the Governor stated, the minimum authorized rate of the bank was reduced from 5% to 4 3/4%. He suggested that action on this matter be deferred until a full meeting of the Board and action on Mr. Miller's motion was also deferred.

Letter dated October 25th from the Secretary of the Federal Reserve Bank of Cleveland, telegram dated October 25th from the Chairman of the Federal Reserve Bank of Chicago and letter dated October 25th from the Secretary of the Federal Reserve Bank of Kansas City, all advising of the establishment of the following schedule of rates for purchases of acceptances:

1 to 90 days	-	5%
91 to 120 days	-	5 1/8%
121 to 180 days	-	5 1/2%

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Noted, with approval, Mr. Cunningham voting "no" because of the procedure followed in the establishment of the new 90 day rates.

Telegram dated October 25th from the Chairman of the Federal Reserve Bank of Richmond, advising of the establishment of the following schedule of rates for purchases of bankers' acceptances:

1 to 90 days	-	5 1/8%
91 to 120 days	-	5 1/4%
121 to 180 days	-	5 5/8%

Noted, with approval, Mr. Cunningham voting "no".

Letter dated October 25th from the Assistant Federal Reserve Agent at Dallas, advising of the establishment of a rate of 5 1/8% for purchases of bankers' acceptances under resale agreement, a reduction from 5 1/4%.

Noted, with approval, Mr. Cunningham voting "no".

Telegram dated October 23rd from the Chairman of the Federal Reserve Bank of Boston, telegram dated October 25th from the Chairman of the Federal Reserve Bank of Chicago and telegram dated October 24th 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 the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Report of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Bank of Chicago of employees for whom the directors of that bank authorized leaves of absence with pay, on account of illness, during the period August 23rd to October 24th, where the total of such

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absences since January 1, 1929 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Letter dated October 24th from the Assistant Federal Reserve Agent at New York, advising that the Midtown Bank of New York, a member, merged at the close of business October 21st into the Prudential Bank, a non-member, which immediately changed its name to "Midtown Bank of New York"; the letter stating that because of difficulty in obtaining from the Prudential Bank satisfactory information as to the ownership and control of the combined bank, it was not possible to submit a recommendation on an application for membership prior to the merger but that a new membership application will be made up on the basis of current information for the combined institution.

Noted.

Report of Committee on Examinations on letters dated October 10th and 17th from the Assistant Federal Reserve Agent at New York, transmitting and recommending approval of an application of the Pacific Trust Company, New York, N. Y., for permission to accept drafts and bills of exchange drawn upon it for the purpose of furnishing dollar exchange; the Board's Committee also recommending approval.

Upon motion, the application was approved.

Letter dated October 23rd from the Deputy Governor of the Federal Reserve Bank of New York, with regard to open market operations during the week ending October 23rd and conditions in the Government securities and bill markets.

Noted.

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Letter dated October 24th from Mr. Paul Klopstock replying to the Board's letter of October 1st, with regard to continued reservation of the title "Foreign Banking and Investment Corporation" for a corporation to be organized under Section 25(a) of the Federal Reserve Act; the letter stating that plans in connection with the formation of the corporation have been suspended until after the beginning of the year, for which reason request for further reservation of the title is not made at this time.

Noted.

Letter dated October 22nd from the Deputy Governor of the Federal Reserve Bank of Chicago, with regard to the amendment to Paragraph 6 of Section V of Regulation "J" approved by the Board on October 15th, effective January 1, 1930; the letter stating that it seems that by oversight in the amendment, Federal Reserve banks would not have protection against claims being made upon them by banks from which they have received items for collection in which the drawee bank is not the same as the collecting bank.

Referred to Counsel.

Report of Executive Committee submitting draft of letter to the Secretary of the Federal Advisory Council, suggesting the following topics for discussion at the meeting of the Council to be held on November 19th:

- (1) Discount rates, bill rates and open market operations.
- (2) Developments in branch, chain and group banking, with particular reference to the effects of bank stock ownership by investment trusts and holding corporations.
- (3) Desirability of liberalizing the requirements of the Federal Reserve Act as to paper eligible for rediscount by Federal Reserve banks.

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(4) Desirability of changing distribution of earnings of Federal Reserve banks as proposed in S. 5723, introduced by Senator Glass.

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

Memorandum from Counsel dated October 22nd submitting, for the signature of the Secretary of the Treasury, draft of a letter to Honorable Carl R. Chindblom regarding a complaint by one of the constituents of the latter because collateral loans secured by real estate mortgages or similar securities are not rediscountable by member banks at Federal Reserve banks.

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

Memorandum from Counsel dated October 23rd submitting, in accordance with action taken by the Board on October 15th, draft of a proposed letter to Mr. A. B. Trowbridge, requesting that he and Mr. O. W. Ten Eyck transfer the patents covering methods of bank vault construction issued in their names to the Governor of the Federal Reserve Board and his successors in office, for the benefit of the United States; Counsel also submitting draft of a letter to Mr. J. E. Bruce, attorney for the Consolidated Expanded Metal Companies of Wheeling, W. Va., advising him that the Board is arranging to have the patents transferred to the Governor and his successors in office and that, when this has been done, the Board will consider applications for non-exclusive, revocable licenses, permitting the use of the patented methods in the construction of bank vaults.

Discussion ensued during which the advisability of reference to the possible issuance of licenses by the Board was questioned, and the Counsel's mem-

orandum and the proposed letters were referred back to the Law Committee.

REPORT OF STANDING COMMITTEE:

Dated, October 23rd, 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.

The meeting adjourned at 1:10 p.m.

C. W. McClelland
Assistant Secretary.

Approved:

Ray Young
Governor.