

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, November 6, 1929 at 11:00 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on November 5th were read and approved.

Telegram dated November 5th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

| | | |
|-----------------|---|--------|
| 1 to 120 days | - | 4 3/4% |
| 121 to 180 days | - | 5% |
| Repurchase | - | 4 3/4% |

Noted, with approval.

Telegram dated November 6th from the Chairman of the Federal Reserve Bank of Philadelphia, advising that the board of directors 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.

Report of Committee on Salaries and Expenditures on list submitted by the Federal Reserve Bank of Philadelphia of employees for whom the directors of that bank authorized leaves of absence with pay, on account of illness, during the month of October, 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.

11/6/29

-2-

277

Memorandum from Counsel dated November 4th submitting, in accordance with the action of the Board at its meeting on October 31st, draft of letter to the Secretary of the Treasury requesting that he transmit one addressed to the Attorney General of the United States, asking the opinion of the Attorney General on the question whether the Equitable Trust Company of New York City may establish an office in Detroit, Michigan, for the performance of certain limited functions and continue to retain stock in the Federal Reserve Bank of New York.

After discussion, upon motion, the letters submitted by Counsel were approved.

The Assistant Secretary then reported that in accordance with the action of the Board at its meeting on November 4th a recommendation was requested from the Federal Reserve Agent at San Francisco on the application of the Bank of Italy National Trust and Savings Association of San Francisco, for permission to establish a branch in London, England, and that the Federal Reserve Agent has made a favorable recommendation which is concurred in by the Executive Committee of the Federal Reserve bank.

After discussion, upon motion, the following was ordered spread upon the minutes, Messrs. James and Cunningham voting "no":

"Whereas, the Bank of Italy National Trust and Savings Association has made application, pursuant to the provisions of Section 25 of the Federal Reserve Act, for permission to establish a branch at No. 13 Moorgate, London, E.C.2, England; and it appearing that said application is properly made under the law and should be granted;

NOW, THEREFORE, IT IS ORDERED that the said application be, and it hereby is, approved, and that the Bank of Italy National Trust and Savings Association be, and it hereby is, authorized to establish a branch at No. 13 Moorgate, London, E.C.2, England."

11/6/29

-3-

The Governor then advised the Board that the Comptroller of the Currency is preparing his annual report to Congress and that he may possibly incorporate therein a recommendation for elimination of the dual authority which now exists in granting charters and trust powers to national banks by placing the approval of trust powers under the Comptroller of the Currency.

At the request of the Board, Mr. Pole joined the meeting and he was advised that the Board agrees with him that the granting of charters and trust powers to national banks should be vested in the same authority and that there would be no objection on the part of the Board to his making the recommendation he contemplates. He was advised, however, that should the matter be referred to the Board by Congress, it would possibly take the position that the granting of charters to national banks should be subject to the approval of the Board, but that if Congress is unwilling to so legislate, the Board would prefer having the granting of trust powers placed in the hands of the Comptroller of the Currency, to continuance of the present dual responsibility.

Mr. Pole then left the meeting.

The Governor submitted an application of the Security National Bank of Brookings, S. D., for permission to exercise general fiduciary powers, approval of which was recommended by the Federal Reserve Bank of Minneapolis on the basis of an examination made under date of February 19, 1929. He stated, however, that a subsequent examination on September 30, 1929 disclosed numerous criticisms of the management of the bank for its apparent disregard of the national banking laws and the regulations of the Comptroller's office, as a result of which the Comptroller has written the bank that it will be placed on the list for special examination unless the law is strictly observed and existing un-

11/6/29

-4-

279

satisfactory matters are corrected.

The Governor stated that he, therefore, concurs in a recommendation of the Law Committee that approval of the application be deferred until the criticisms in the last report of examination have been cleared up to the satisfaction of the Comptroller of the Currency.

After discussion, upon motion, the recommendation of the Committee was approved.

The Governor then submitted a memorandum from the Comptroller of the Currency, replying to an inquiry addressed to him in accordance with the action of the Board on November 4th, recommending approval of the application of the First National Bank and Trust Company, Yankton, S. D., for permission to act as guardian of estates, assignee, receiver, committee of estates of lunatics or in any other fiduciary capacity in which state banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of South Dakota; the Comptroller stating that this recommendation is made in view of the recommendation of the Federal Reserve Agent of Minneapolis and the fact that the applicant bank has apparently properly administered the powers of trustee, executor, administrator and registrar of stocks and bonds, previously granted it by the Board.

The Governor stated that he concurs in the recommendation of the Federal Reserve Agent and the Comptroller of the Currency and, upon motion, the application of the First National Bank and Trust Company of Yankton was approved, Messrs. Miller and James voting "no".

Memorandum from Counsel dated November 5th, submitting draft of reply to letter dated November 4th from the Federal Reserve Agent at New York, inquiring whether the Bank of the Manhattan Company, which is to become purely a holding corporation after transfer of all of its present banking business to the International Acceptance Trust Company, a member bank, which will then be known as the Bank of Manhattan Trust Company, may then be considered as in

11/6/29

-5-

liquidation within the meaning of Section 5 of the Federal Reserve Act and immediately surrender its Federal Reserve bank stock; the proposed reply advising to the contrary and stating there is no authority in the law for the voluntary withdrawal of the Bank of the Manhattan Company from membership in the Federal Reserve System except upon giving six months' written notice. The Governor stated that in becoming a purely holding corporation, the Bank of the Manhattan Company will materially change the character of its assets and the scope of its functions, within the meaning of the general condition of its membership in the System and the Board could immediately terminate its membership by expulsion for a violation of the general condition. He stated, however, that such action should not be taken by the Board unless agreeable to the Bank of the Manhattan Company.

After discussion, the proposed letter to the Federal Reserve Agent at New York, submitted with Counsel's memorandum, was approved, with the understanding that the Governor may informally take up the matter of termination of membership of the Bank of the Manhattan Company by expulsion.

The attention of the Board was then called to the fact that the Federal Reserve Agent at New York, in his letter of November 4th, transmitted a communication from the International Acceptance Trust Company requesting permission to purchase the banking business and assets of the Bank of the Manhattan Company, including its branches.

Upon motion, the permission requested was granted.

The Governor then submitted the matter referred to him for recommendation at the meeting on October 31st, namely, memorandum from Counsel dated October 24th, submitting draft of a letter to the Governors of all Federal Reserve banks, requesting consideration at their next Conference of a question raised

11/6/29

-6-

by the Governor of the Federal Reserve Bank of Boston as to whether it would be inconsistent with the uniform policy on check collections, approved by the Board on October 15th, for a Federal Reserve bank to take a pledge of collateral for the specific purpose of protecting itself as agent in the collection of checks on a specific bank.

Upon the Governor's recommendation, the proposed letter to the Governors of all Federal Reserve banks was approved.

Report of Executive Committee on letter dated October 28th from the Federal Reserve Agent at Chicago, with regard to an application of the Peoples National Bank and Trust Company, Chicago, Ill., an outlying institution, for a reduction in its reserve requirements from 13% to 10% of demand deposits; the Agent stating that the national bank began business in April, 1929 and that its application has not been submitted to the directors of the Federal Reserve bank pending advice from the Board as to whether it would make an exception to its ruling that a bank applying for a reduction in reserves must have been a member of the Federal Reserve System and in operation as such for a period of at least one year prior to the date of such application.

After discussion, upon motion, it was voted to advise the Federal Reserve Agent at Chicago that the Board will consider making an exception to its rule in this case, if recommended by the directors of the Chicago bank.

The Governor then presented a memorandum from Counsel dated November 4th submitting draft of a letter to the Secretary of the Treasury, requesting the views of the Treasury on the question whether certain deposits of member banks in the Richmond and San Francisco districts may properly be classified as "deposits of public moneys by the United States in designated depositories",

11/6/29

-7-

within the meaning of the Liberty Bond Acts exempting such deposits from the reserve requirements of the Federal Reserve Act. In his memorandum, Counsel stated that in accordance with the instructions of the Board on September 19th, he conferred regarding this matter with the Presidents of the Riggs National Bank and the Commercial National Bank of Washington, whose institutions are involved in the inquiry of the Federal Reserve Bank of Richmond and it was understood that both would submit memoranda on the subject. He advised that although a lengthy memorandum was submitted by the Riggs National Bank nothing has been received from the Commercial National Bank and, in his opinion, submission of the question to the Secretary of the Treasury should no longer be delayed.

At the suggestion of the Governor, the Assistant Secretary was instructed to advise President Donaldson of the Commercial National Bank that the Board's letter to the Secretary of the Treasury will be dispatched not later than November 12th, suggesting that if his institution wishes to submit any views on the question involved it do so before that date.

Memorandum from Counsel dated November 4th on letter dated November 2nd from the Federal Reserve Agent at Chicago, covering certain irregularities at the Union Industrial Bank of Flint, Michigan, a member institution, which have not been brought to the attention of the local United States District Attorney; Counsel submitting draft of a letter to the Attorney General transmitting copies of the communication from the Federal Reserve Agent and draft of a letter to the Federal Reserve Agent requesting him to report the matter to the local United States District Attorney and to obtain further details and forward them to the Board for the information of the Department of Justice.

Upon motion, the letters submitted by Counsel were approved.

11/6/29

-8-

Letter dated November 6th from Mr. J. F. Herson, tendering his resignation as Chief Examiner, effective at the pleasure of the Board, with the request that, if convenient, the date be fixed not later than November 30th.

Upon motion, Mr. Herson's resignation was accepted, with regret, effective at the close of business November 30, 1929, and the Governor was requested to express to him the Board's appreciation of his long, conscientious and able service.

The Governor then presented draft of a letter to the Attorney General, prepared by Counsel, following the Board's general practice, transmitting a report made by the Federal Reserve Agent at San Francisco of a possible violation of Section 5209 of the Revised Statutes by Alex J. Smith, an employee of the Diamond Branch of the American Trust Company of California, a member of the Federal Reserve System. The Governor stated that the amount of the alleged embezzlement, approximating ten dollars, is so small, that unless there is some objection on the part of the Board the matter will not be reported to the Department of Justice.

No objection was expressed.

The Governor then submitted draft of a proposed letter to all Federal Reserve banks, with reference to the regulation regarding open market purchases of Government securities adopted at the meeting of the Board yesterday.

During the discussion, the Governor stated that the letter, as drafted, is not entirely satisfactory to him and at his suggestion action was deferred and he was authorized to resubmit it after revision.

REPORTS OF STANDING COMMITTEES:

Dated, November 6th, Recommending a change in stock at a Federal Reserve bank as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.

11/6/29

-9-

284

REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, November 5th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

Dated, November 4th, Recommending approval of the application of Mr. W. W. Hastings for permission to serve at the same time as director of the Commercial National Bank in Muskogee, Okla., as director of the First National Bank of Tahlequah, Okla., and as director of the First National Bank of Hulbert, Okla.

Approved.

Dated, November 4th, Recommending approval of the application of Mr. C. W. Norton for permission to serve at the same time as director and officer of the Union State Bank of Portland, Oregon and as director of the Citizens National Bank of Portland, Oregon.

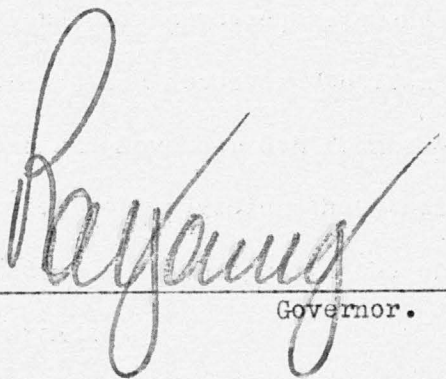
Approved.

Dated, November 4th, Recommending approval of the application of Mr. Charles A. Faircloth for permission to serve at the same time as director of the American National Bank of Pensacola, Fla., and as officer of the First National Bank of Tampa, Fla.

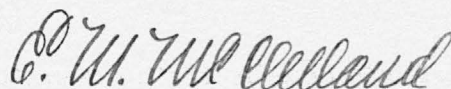
Approved.

The meeting adjourned at one o'clock.

Approved:



Governor.



Assistant Secretary.