

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, November 7, 1929 at 12:30 p.m.

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

The Governor stated that special order of business for the meeting would be consideration of the review of credit and business developments during October, for publication in the next issue of the Federal Reserve Bulletin, which has been revised by the Director of the Division of Research and Statistics along lines suggested at the meeting of the Board on November 4th. He stated that copies of the revision have been furnished the individual members of the Board.

After discussion, upon motion, the review was approved in its revised form, Mr. James voting "no".

The minutes of the meeting of the Federal Reserve Board held on November 6th were then read and approved, as amended.

Telegrams dated November 7th from the Chairman of the Federal Reserve Bank of Richmond and November 6th from the Chairman of the Federal Reserve Bank of St. Louis, both 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.

Memorandum from Counsel dated November 6th on letter dated November 4th from the Federal Reserve Agent at Boston, advising that Mr. Francis R. Hart, whom the Board on October 31st authorized to serve at the same time as director

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of the Old Colony National Bank, as director and officer of the Old Colony Trust Company and as director of the American Trust Company, all of Boston, Massachusetts now desires permission to serve also as officer of the Old Colony National Bank; Counsel stating that he knows of no reason why Mr. Hart's request should not be granted and sees no reason for a formal application.

Upon motion, service by Mr. Hart as director and officer of the Old Colony National Bank, as director and officer of the Old Colony Trust Company and as director of the American Trust Company, all of Boston, was approved.

Memorandum from Counsel dated November 5th, with reference to application for surrender and cancellation of 450 shares of stock in the Federal Reserve Bank of New York, standing in the name of the Midtown Bank of New York City, which merged, at close of business October 21st, into the Prudential Bank of New York City, a nonmember; Counsel stating that, in his opinion, the Midtown Bank may properly be considered to have liquidated within the meaning of the Federal Reserve Act and the application for cancellation of its Federal Reserve bank stock may properly be approved by the Board, but suggesting that the Federal Reserve Agent 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 merged bank authorizing him to do so.

Upon motion, cancellation of the stock in question, in accordance with Counsel's suggestion, was approved.

Memorandum from Counsel dated November 6th with reference to organization papers of the International American Banking Corporation, proposed to be organized under Section 25 (a) of the Federal Reserve Act, which were submitted to the Board in September, 1928; Counsel stating that on October 1, 1928, the Board

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addressed a letter to Mr. Julius Spiegel, the principal organizer, requesting information as to the particular character of business proposed for the corporation, and also as to the qualifications and experience of the organizers, and that no reply was received to this letter or to another addressed to Mr. Spiegel on January 21, 1929. In his memorandum, Counsel suggested the desirability of making some disposition of the papers of this proposed corporation and submitted draft of a letter to Mr. Spiegel advising that in the absence of immediate advice to the contrary, the Board will consider that approval of the organization papers of the proposed corporation is no longer desired and they will be filed without action and the matter considered closed.

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

Memorandum dated November 4th from the Director of the Division of Research and Statistics, submitting report of an investigation into certain phases of future contracts on various commodities made at the instance of Mr. James on request of Mr. D. R. Coker, Director of the Federal Reserve Bank of Richmond.

Upon motion, the report submitted by Dr. Goldenweiser was referred to Mr. James with power to furnish a copy thereof to Mr. Coker if he deems it advisable.

It was understood that the report would be mimeographed and furnished to the members of the Board for their information.

Matter ordered circulated at the meeting of the Board on October 17th, namely, memorandum dated October 17th from the Chief of the Division of Bank Operations submitting further information requested by the Board on October 10th, regarding the report of the Committee on Redemption of Canadian Currency; together with a revision prepared by Mr. Miller of the proposed statement on

the subject to be issued to the press.

After discussion, upon motion, it was voted to approve the report of the committee, including a proposed circular letter to member banks but substituting with some amendment, the revision prepared by Mr. Miller for the press statement recommended by the committee, all of which are quoted below:

"REPORT OF COMMITTEE ON
REDEMPTION OF CANADIAN CURRENCY

"The Committee appointed to determine the most efficient and economical means of effecting the redemption of Canadian currency begs to transmit herewith its recommendations:

- (a) That all Federal Reserve Banks offer their facilities to member banks for the collection and conversion of Canadian currency into United States currency at the current rates of exchange,
- (b) That the Federal Reserve Banks absorb the cost of shipping Canadian currency from the member banks to their respective Federal Reserve Banks but that they deduct an allowance to cover shipping charges, if any, from the Federal Reserve Banks to the points of conversion into United States currency,
- (c) That all Federal Reserve Banks send a circular, similar to the attached draft, to their member banks stating the terms upon which Canadian currency will be received,
- (d) That the Federal Reserve Board and each Federal Reserve Bank and Branch simultaneously give to the press copies of the attached circular announcing terms under which the Federal Reserve Banks and Branches will receive Canadian currency.

"With respect to the procedure under which Federal Reserve Banks and their Branches will handle the collection and conversion of Canadian currency, the Committee suggests that the Federal Reserve Banks and Branches ship Canadian currency direct to the Detroit Branch of the Federal Reserve Bank of Chicago for conversion and credit, or make such other disposition thereof as conditions in their districts warrant. The Committee believes that it is important that each Federal Reserve Bank employ the most economical means of conversion. The Committee also suggests that Federal Reserve Banks permit member banks to include Canadian currency in their shipments of United States currency provided both kinds of currency are properly segregated within the package.

"The Committee believes that the Federal Reserve Banks should not at this time offer their facilities to member banks for the collection and conversion of Canadian coin.

"Your Committee has considered the desirability of a possible arrangement with the Canadian Government or the Canadian banks which would provide for the exchange of United States and Canadian currencies at par.

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"While in theory much may be said in favor of such a plan, it appears to be inadvisable to endeavor to exchange Canadian and United States currencies at par without making similar arrangements to maintain exchange at parity between the two countries, a subject which your Committee does not have under consideration."

"CIRCULAR LETTER

"Enclosed herewith is a statement which the Federal Reserve Board and the Federal reserve banks and branches have given to the press, relating to the conversion into U. S. funds of Canadian paper currency spent in this country.

"In accordance with this statement, you may include Canadian paper currency in your shipments of United States currency provided the two kinds of currency are properly segregated within the package.

"Credit for such currency will be given for its face value and when the cost of conversion into United States funds is determined, which should generally average less than one per cent, such cost will be charged to your reserve account."

"STATEMENT FOR THE PRESS

"The Federal Reserve Board announces that a plan has been worked out and will be put in operation for handling Canadian currency deposited with Federal reserve banks, at a minimum of the actual collection charges incurred by them.

"The discount on Canadian currency brought into the United States by travelers has frequently ranged as high as 10 and sometimes even as high as 20 per cent, at places remote from the border line. This is regarded as excessive and has given rise to a feeling of resentment in Canada, especially as United States currency is generally accepted at par in Canada.

"The Federal Reserve Board has taken the subject up with the Federal reserve banks and they have agreed to offer their facilities to member banks for the collection and conversion of Canadian paper currency into United States currency at the current rates of exchange. The Federal reserve banks will absorb the cost of shipping Canadian paper currency from the member banks to their respective Federal reserve banks but will deduct an allowance to cover the actual exchange charges, and insurance and shipping charges, if any, from the Federal reserve banks to the points of conversion into United States currency. During the past three years the cost of conversion of Canadian currency into United States funds, including both the exchange and the shipping charges, has averaged less than 1 per cent.

"The new method which is to be put into effect by Federal reserve banks for handling Canadian currency in the future, will, however, result in such substantial reductions in the cost of collecting

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"this currency as to bring it close to par. The Board feels that if member banks cooperate in this matter by extending a similar service to their customers, Canadian tourists traveling in this country will find American merchants willing to accept Canadian currency at or near par."

The Assistant Secretary then reported that, in accordance with the instructions of the Board yesterday, he communicated with President Donaldson of the Commercial National Bank of Washington, who advised him that his bank does not wish to submit any further data on the question of classification of certain deposits as Government deposits, in view of which fact there is no reason why the Board should longer delay transmitting to the Secretary of the Treasury the letter submitted with Counsel's memorandum of November 4th, 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" within the meaning of the Liberty Bond Acts exempting such deposits from reserve requirements.

Upon motion, the letter to the Secretary of the Treasury, submitted with Counsel's memorandum, was approved and ordered transmitted.

Letter dated November 6th from the Secretary-Treasurer of the South Orange Trust Company, South Orange, N. J., whose application for membership in the System was approved by the Board on October 28th, subject to the usual conditions of membership set out in Regulation H; the letter from the South Orange Trust Company stating that the directors of that bank approve and accept the conditions of membership imposed by the Board, provided they are correct in their interpretation that the third condition - "Except after applying for and receiving the permission of the Federal Reserve Board, you shall not acquire an interest in

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any other bank or trust company, through the purchase of stock in such other bank and trust company" - refers only to purchases made with the intent of obtaining control of such other bank or trust company and would not affect their institution in merely buying such shares as an investment without any thought of endeavoring to secure controlling ownership.

Upon motion, the letter was referred to Counsel for preparation of a reply.

The Governor then advised the Board that in endeavoring to revise the proposed letter to all Federal Reserve banks regarding the regulation adopted by the Board on November 5th covering open market purchases of Government securities by the Federal Reserve banks, he consulted the Board's Counsel who advises him that after further consideration he is of the opinion that there is considerable doubt of the legality of the regulation adopted by the Board. The Governor discussed with the members other legal forms of a regulation. At the conclusion of the discussion, he stated that he would endeavor to work out another form of regulation along lines discussed and submit it to the Board later.

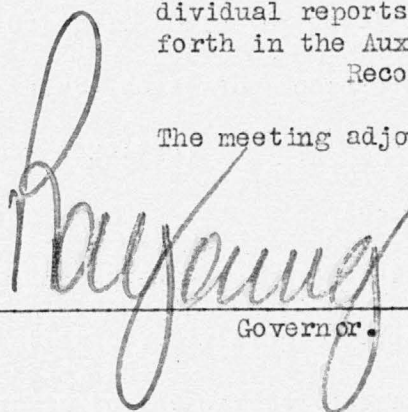
REPORTS OF STANDING COMMITTEES:

Dated, November 5th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 1:30 p.m.

Approved:


Governor.


Assistant Secretary.