

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, November 26, 1929 at 11:15 a.m.

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

The minutes of the meetings of the Federal Reserve Board held on November 22nd were read and approved.

The minutes of the meeting of the Federal Reserve Board held on November 25th were read and approved, as amended.

Matter approved on initials on November 23rd, namely, application of the Baltimore Trust Company, Baltimore, Md., on behalf of the Baltimore Trust Company (new organization), to be formed by consolidation of the present Baltimore Trust Company and the Central Trust Company of Baltimore, a nonmember, for membership in the Federal Reserve System and for 6300 shares of stock in the Federal Reserve Bank of Richmond, effective if and when the new Baltimore Trust Company is authorized to commence business and subject to the regular conditions of membership set out in Regulation H, Series of 1928, and the following special conditions:

"(1) That the new Baltimore Trust Company, Baltimore, Md., shall, at the first meeting of its board of directors, ratify the action taken in its behalf by the present Baltimore Trust Company in applying for stock in the Federal Reserve Bank of Richmond, and shall pass a resolution accepting the conditions of membership imposed by the Federal Reserve Board.

"(2) That, at the time the new Baltimore Trust Company is authorized to commence business, its proposed capital of \$6,250,000 and surplus of \$4,250,000 shall be fully paid in."

Upon motion, the application was formally approved.

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Matter approved on initials on November 25th, namely, application of the Security National Bank and Trust Company of Red Wing, Minnesota, for permission to exercise general fiduciary powers, effective if and when it is authorized by the Comptroller of the Currency to commence business.

Formally approved.

Telegram dated November 22nd from the Secretary of the Federal Reserve Bank of Minneapolis and letter dated November 22nd from the Chairman of the Federal Reserve Bank of Dallas, both advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 120 days	-	4%
121 to 180 days	-	4 1/2%
Repurchase	-	4%

Without objection, noted with approval.

Letter dated November 22nd from the Secretary of the Federal Reserve Bank of Kansas City, advising of the establishment on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 120 days	-	4%
121 to 180 days	-	4 1/2%

Without objection, noted with approval.

Letter dated November 20th from the Chairman of the Federal Reserve Bank of Boston, confirming previous advice of the action of the board of directors of that bank on November 20th in voting to establish a rediscount rate of 4 1/2% and advising of discussion which preceded the action of the directors.

Noted.

Memorandum dated November 23rd from the Chief of the Division of Bank

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Operations, transmitting the resignation of Miss Felipa McKey as comptometer operator in the Division, effective at the close of business November 30th, and recommending the appointment of Miss Evelyn Bryan to succeed her at a salary of \$1440 per annum, effective on or about December 1st.

Upon motion, the resignation was accepted and the appointment was approved.

The Assistant Secretary presented an order issued by the Secretary of the Treasury under date of November 23rd that all employees of the Treasury Department, whose services can be spared, be excused from duty at 1:00 o'clock on Wednesday, November 27th.

Upon motion, it was voted to approve the same arrangement for the Board's staff.

Memorandum dated November 22nd from the Chief of the Division of Bank Operations, transmitting statement of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of October and the ten months ending October 31st.

Ordered circulated.

Letter dated November 25th from the Federal Reserve Agent at Richmond, reporting, in accordance with Section IV of Regulation D, reserve deficiencies during six consecutive months by the Carolina National Bank of Spartanburg, S. C.; the letter stating that the situation has been receiving the continuous attention of the Federal Reserve bank and the Chief National Bank Examiner, and recommending that the Board take no action beyond forwarding the report to the Comptroller of the Currency.

Noted, with approval.

Memoranda dated November 26th from the Chief Examiner, submitting reports

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of examinations of the Federal Reserve Bank of Boston, made as at the close of business January 3, 1929 and the Federal Reserve Bank of Richmond and its branches as at the close of business January 17, 1929.

Upon motion, the reports were ordered referred to the Committee on Examinations and the appropriate District Committees.

Report of Executive Committee on memorandum dated November 22nd from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Clifton, Texas, for permission to reduce its capital stock from \$40,000 to \$30,000; the Board's Committee also recommending approval.

Approved.

Report of Executive Committee on memorandum dated November 13th from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Killeen, Texas, for permission to reduce its capital stock from \$50,000 to \$25,000 on condition: (1) That assets listed, aggregating \$28,600.41, be taken out of the bank at the time of the reduction; (2) That any assets eliminated remain the property of the bank; (3) That each parcel of real estate be carried on the books as an asset of the bank at a reasonable valuation, which, under the circumstances, might be very conservative; and (4) That if any money is borrowed on "other real estate", removed from the bank, it be done in such a way as not to involve the bank in liability.

After discussion, upon recommendation of the Executive Committee, the application was approved subject to the conditions suggested by the Comptroller.

Report of Executive Committee on memorandum dated November 13th from the Comptroller of the Currency, recommending reconsideration by the Board of its

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action of June 10, 1929 in approving an application of the Fayette County National Bank, West Union, Iowa, for permission to reduce its capital stock from \$100,000 to \$50,000 on condition that no money be returned to the shareholders and that assets in the amount of \$86,000 be eliminated from the bank; the Comptroller now recommending that the Board approve the bank's application on condition that assets amounting to \$64,960.77, including the book value of all other real estate owned, all losses and doubtful assets and some slow loans, be removed from the bank.

After discussion, upon recommendation of the Executive Committee, the Board's action of June 10, 1929 was reconsidered and the application was approved subject to the conditions now suggested by the Comptroller.

Memorandum dated November 25th from Counsel, recommending that the Board obtain the views of the Treasury Department on a question raised by the Federal Reserve Bank of Atlanta whether Stone Mountain Memorial coins are lawful money of the United States within the meaning of Section 16 of the Federal Reserve Act requiring Federal Reserve banks to maintain reserves in gold or lawful money against their deposit liabilities.

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

Memorandum from Counsel dated November 13th, submitting draft of letter to the Attorney General of the United States, regarding a recent opinion of the United States District Court for the Western District of South Carolina that the provisions of Section 22 (a) of the Federal Reserve Act, forbidding any member bank to make a loan or grant any gratuity to a Bank Examiner and

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forbidding any Bank Examiner to accept any loan or gratuity from any bank examined by him, are not applicable to State Bank Examiners; the Department of Justice having transmitted the opinion to the Board with advice that it has been considered very carefully on the question whether an appeal should be taken to the United States Supreme Court and that the Solicitor General regards the Government's case as not strong enough for that purpose. The letter submitted by Counsel stated that if this means the particular case is considered too weak to be made a test case, the Board has no disposition to question the judgment of the Department of Justice, but if it means that the Department is inclined to accept the decision as establishing a correct interpretation of the law, the Board would appreciate being advised of the fact in order that it may consider the advisability of recommending to Congress the enactment of an amendment eliminating any doubt as to the applicability of the provisions of Section 22 of the Federal Reserve Act to State Bank Examiners.

After discussion, upon motion, the letter to the Attorney General, submitted by Counsel, was approved, Governor Young voting "no".

Memorandum from Counsel dated November 12th, recommending publication in the next issue of the Federal Reserve Bulletin of (1) the Board's recent ruling permitting the purchaser of goods under bankers acceptance credits covering domestic shipments to draw bills having a maturity consistent with the usual credit time prevailing in the relative trade; (2) notice of the amendments to Regulation "J" which have been adopted by the Board effective January 1, 1930; and (3) the Board's recent ruling as to the right of National

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banks to invest trust funds in a revolving pool of real estate mortgages.

The Assistant Secretary reported that inasmuch as the ruling last referred to was made at the request of the Comptroller of the Currency, the matter of its publication was taken up with him and as he has serious doubt as to the advisability of its publication in the form proposed, he requests that it not be included in the next issue of the Bulletin in order that he may have further time to consider it.

The Assistant Secretary also called attention to the fact that at least one change in the amendments to Regulation J has been suggested to the Board, in view of which fact it might be desirable to postpone any announcement of the amendments until they are definitely in final form.

After discussion, upon motion, inclusion in the Bulletin of a statement regarding the Board's ruling on bankers acceptances was approved, but publication of the other matters was ordered postponed.

The Governor then presented a memorandum dated November 23rd from the Chief of the Division of Bank Operations, submitting a comparison of brokers loans made by New York City weekly reporting member banks since the Board began publishing brokers loan figures.

Ordered circulated.

The Governor then presented as special order of business a revision prepared by Mr. Cunningham of the proposed letter to all Federal Reserve banks on the subject of special rates on commodity paper, submitted by him at the meeting on August 10, 1929. The Governor advised the Board of question in his mind as to the desirability of discriminating, at this time, in favor of agricultural and livestock paper as against other forms of business paper, and submitted draft of a proposed letter to all banks advising that the Board is prepared to approve preferential rates on all forms of secured commercial paper eligible for rediscount. A general discussion ensued as to the advisability of the establishment

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of preferential rates and the classes of paper to which they should be applicable if established.

At the conclusion of the discussion, the Governor and Mr. Cunningham, as a special committee, were requested to prepare a further revision of the proposed letter and submit it to the Board at a later meeting.

In accordance with the directions of the Board at the meeting yesterday, the Governor submitted draft of a letter to the Federal Reserve Agent at San Francisco, regarding the request made of him by the United States Attorney at Los Angeles, for an expression of opinion as to whether at this late date it would be advisable for the Department of Justice to prosecute in connection with alleged irregularities in certain transactions between the former Pacific Southwest Trust and Savings Bank of Los Angeles and S. C. Lewis and Julian Petroleum Corporation; the letter stating that the Board feels it should not express an opinion in the matter and suggesting that the Federal Reserve Agent advise the United States Attorney that the System has no information regarding the alleged irregularities other than that which has been furnished to him, and feels that he is in better position than it is to determine the advisability of prosecution.

Upon motion, the letter submitted by the Governor was amended and approved.

The Governor then submitted a telegram dated November 22nd from the Governor of the Federal Reserve Bank of San Francisco, referring to the ruling of the Board that the liability incurred by a member bank through the issuance of its cashier's check for Federal Reserve exchange purchased should be treated as money borrowed; the telegram stating that in some member banks transactions arising out of the purchase of Federal Reserve funds are shown by book entry and sug-



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gesting that the Board's ruling should be amplified. The Governor suggested that he be authorized, after consultation with the Comptroller's office, to secure the reaction of the Federal Reserve banks to a ruling that regardless of how Federal Reserve funds are purchased, by cashier's check, by book entry or otherwise, they should be treated as obligations for borrowed money and reported as such.

Upon motion, the Governor's suggestion was approved.

The Governor then submitted the matter referred to him at the meeting on November 22nd, namely, memorandum from Counsel dated November 13th regarding a question raised by the Federal Reserve Bank of Chicago that the recently adopted amendment to Paragraph 6 of Section V of Regulation J affords no protection to Federal Reserve banks against claims arising out of the failure of a bank other than the drawee to which checks have been forwarded by the Federal Reserve bank for collection. He stated that, in his opinion, the paragraph in question should be further amended, but suggested that copies of the letter addressed to the Board by the Deputy Governor of the Chicago bank and Counsel's memorandum be forwarded to the Governors of all Federal Reserve banks for an expression of their views before any action is taken.

Upon motion, the recommendation of the Governor was approved.

Letter dated November 22nd from the Governor of the Federal Reserve Bank of New York, advising of an inquiry made by the Bank of Latvia as to the terms upon which the Federal Reserve bank would be willing to open an account for them; the letter stating that the Bank of Latvia has been advised of the substance of the terms on which the Federal Reserve bank conducts relations

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with foreign banks of issue and when formal request for the opening of an account is received, it will be submitted to the directors of the New York bank and to the Board for approval.

Noted.

Letter dated November 22nd from the Governor of the Federal Reserve Bank of New York, advising that negotiations have just been completed with the Bank of England for the liquidation of the special sterling bill account amounting to approximately £3,300,000 which the Federal Reserve bank has been maintaining in London for the past few months.

Noted.

Memoranda dated November 21st and November 23rd from Counsel, regarding an opinion against the Federal Reserve Bank of Richmond rendered recently by the United States District Court for the Eastern District of Virginia in the case of Vann (receiver for the First National Bank of St. George) v. Federal Reserve Bank of Richmond; Counsel expressing the opinion that it would be advisable for the Federal Reserve bank to settle the case out of court rather than appeal it, and submitting letters on the subject exchanged with Counsel for the Richmond bank who advises that he can not undertake to determine the question himself and is submitting it to the Governor of the bank for consideration.

After discussion, upon motion, Counsel's memoranda were referred to the Governor with power.

Memorandum from Counsel dated November 25th, submitting draft of a reply for the signature of the Assistant Secretary to a letter addressed to the President by Mr. A. J. Fischer of Cincinnati, and referred to the Board through the office of the Secretary of the Treasury, inquiring why municipal bonds are not eligible for discount at Federal Reserve banks; the proposed reply ad-

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vising of the eligibility requirements of the Federal Reserve Act and commenting upon a suggestion that in trying to place business on a proper plane consideration should be given to municipal improvements as a steady source of production.

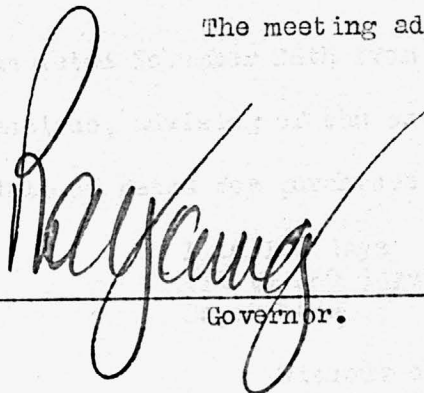
After discussion, upon motion, it was voted to address a memorandum to the Secretary of the Treasury furnishing information as to the eligibility requirements of the Federal Reserve Act for use in any reply which he may care to make to the letter addressed to the President.

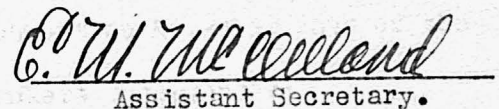
REPORTS OF STANDING COMMITTEES:

- Dated, November 22nd, 25th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, November 15th, 22nd, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, November 25th, Recommending approval of the application of Mr. E. C. Romfh for permission to serve at the same time as director and officer of the Miami Beach First National Bank of Miami Beach, Fla., as director of the West Palm Beach Atlantic National Bank of West Palm Beach, Fla., and as director and officer of the First National Bank of Miami, Fla.  
Approved.
- Dated, November 25th, Recommending approval of the application of Mr. T. M. Girdler for permission to serve at the same time as director of the Union Trust Company of Cleveland, Ohio, as director of the Equitable Trust Company of New York, N. Y., and as director of the Union National Bank of Pittsburgh, Pa.  
Approved.

The meeting adjourned at 1:00 o'clock.

Approved:

  
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Governor.

  
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Assistant Secretary.