A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, December 18, 1929 at 12:00 o'clock noon.

PRESENT: Governor Young
Mr. Platt
Mr. Miller
Mr. James
Mr. Cunningham
Mr. McClelland, Asst. Secretary
Mr. Smead, Chief of the Division of Bank Operations.

The Governor called attention to the fact that in the Board's weekly statement of condition of the Federal Reserve banks holdings of Government securities are segregated as to bonds, notes and certificates of indebtedness. He stated that question has been raised as to how the new Treasury bills should be published and that Mr. Smead suggests that Treasury certificates and bills being the short-term securities of the Government be consolidated in the statement at least for the time being, with the understanding that later if deemed advisable they can be published separately.

Upon motion, Mr. Smead's suggestion was approved.

The Governor then stated that the special order of business for this meeting was consideration of the report of the Committee on Salaries and Expenditures dated December 17th on the subject of closing of the books of the Federal Reserve banks at the end of 1929, the report reading as follows:

"There are submitted herewith the requests of the Federal Reserve banks for authority to pay the usual semi-annual dividends as of December 31, 1929, to make certain charges against current net earnings and to dispose of the balance of net earnings in accordance with Section 7 of the Federal Reserve Act. Summary statements for each Federal Reserve bank are attached hereto.

"On the basis of reports received from the Federal Reserve banks the net earnings, amounts to be transferred to surplus and amounts to be paid to the United States Government as a franchise tax will be approximately as follows:"
Federal Reserve Bank : | Net earnings | Transferred to surplus | Franchise tax
---|---|---|---
Boston | $2,126,000 | $2,126,000 | -
New York | 7,955,000 | 7,955,000 | -
Philadelphia | 2,822,000 | 2,822,000 | -
Cleveland | 2,753,000 | 2,753,000 | -
Richmond | 953,000 | 95,000 | 858,000
Atlanta | 1,169,000 | 303,000 | 866,000
Chicago | 4,243,000 | 3,570,000 | 573,000
St. Louis | 483,000 | 48,000 | 435,000
Minneapolis | 612,000 | 61,000 | 551,000
Kansas City | 715,000 | 72,000 | 643,000
Dallas | 541,000 | 271,000 | 270,000
San Francisco | 1,648,000 | 1,648,000 | -
Total | $26,020,000 | $21,824,000 | $4,196,000

DEPRECIATION RESERVE ON BANK PREMISES

"Proposed deductions from current net earnings to cover depreciation reserves on bank buildings and on fixed machinery and equipment amounting to $1,848,000 are all in accordance with the instructions approved by the Federal Reserve Board.

"The Federal Reserve Bank of Richmond states that from the most reliable information obtainable the present market value of its 'annex' property is not in excess of $300,000 and as it desires to sell the property, permission is requested to write its present book value, $390,406.56 down to $300,368.94 its approximate market value. During the year the Richmond bank sold the Baltimore property at South and Redwood streets for $150,000 or $20,000 less than its book value and requests authority to charge this amount to current earnings at the end of the year.

"The Federal Reserve Bank of St. Louis asks authority to charge off approximately $23,000 on the Memphis building, which was completed during the year, for the purpose of reducing its book value to estimated replacement cost. This charge conforms with the practice approved by the Board with reference to other buildings.

"The New York bank proposes to write off the cost of repairs and alterations, $7,954, made to the Buffalo building during 1929.

"It is recommended that all proposed charge-offs and additions to reserves on bank premises be approved.

FURNITURE AND EQUIPMENT

"Deductions from current net earnings for furniture and equipment purchased during the year, $526,000, are in accordance with the Board's instructions, and it is recommended that they be approved.

SELF-INSURANCE FUNDS

"A number of Federal Reserve banks have requested authority to set up
"reserves for self-insurance. The following table shows the amount of self-insurance reserve carried by each Federal Reserve bank at the present time and the proposed reserve to be set aside for such purpose at the end of 1929:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Present reserve</th>
<th>Additions to reserve at end of 1929</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New York</td>
<td>$1,444,000</td>
<td>*$68,000</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cleveland</td>
<td>541,000</td>
<td>*$20,000</td>
</tr>
<tr>
<td>Richmond</td>
<td>300,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Atlanta</td>
<td>-</td>
<td>350,000</td>
</tr>
<tr>
<td>Chicago</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>St. Louis</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>250,000</td>
<td>-</td>
</tr>
<tr>
<td>Kansas City</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dallas</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>San Francisco</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td></td>
<td>$2,785,000</td>
<td>$1,788,000</td>
</tr>
</tbody>
</table>

*Represents income on self-insurance fund during 1929.

"At their Conference in April 1929, the Governors recommended that self-insurance reserves be carried by all Federal Reserve banks and inasmuch as the Board has permitted a number of banks to have such funds it would seem that the reserves requested at this time come within the policy heretofore followed, and it is recommended that they be approved.

RESERVES FOR LOSSES

"Indebtedness of closed or overextended banks, the probable losses thereon and the present and proposed reserves to take care of such losses by each Federal Reserve bank are as follows:

<table>
<thead>
<tr>
<th>Federal Reserve Bank</th>
<th>Closed banks</th>
<th>Overextended banks</th>
<th>Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Indebtedness</td>
<td>Probable losses</td>
<td>Present</td>
</tr>
<tr>
<td></td>
<td>to F. R. bank</td>
<td>to F. R. bank</td>
<td>requested</td>
</tr>
<tr>
<td>Boston</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New York</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cleveland</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Richmond</td>
<td>608</td>
<td>190</td>
<td>1,456</td>
</tr>
<tr>
<td>Atlanta</td>
<td>5,124</td>
<td>1,244</td>
<td>2,346</td>
</tr>
<tr>
<td>Chicago</td>
<td>335</td>
<td>23</td>
<td>7,954</td>
</tr>
<tr>
<td>St. Louis</td>
<td>223</td>
<td>165</td>
<td>1,180</td>
</tr>
</tbody>
</table>

(In thousands of dollars)
"Additional reserves are requested by the Atlanta, Chicago and St. Louis banks. The amounts requested by Atlanta and St. Louis plus present reserves are approximately equal to estimated losses. In the case of the Chicago bank the present reserve is materially in excess of the estimated losses on paper of closed banks, but the bank feels that it should maintain a reserve of $1,250,000 to provide for possible losses on the $7,954,000 of paper now under discount for overextended banks.

"The directors of the Federal Reserve Bank of San Francisco have adopted a resolution authorizing the bank to charge the estimated losses on 14 banks which suspended on varying dates from 1921 to 1925 to the reserve which they are now carrying for that purpose. This will completely exhaust the reserve for probable losses that the bank is now carrying.

"It is recommended that the proposed additions to reserves for possible losses on paper of failed and overextended banks be approved and that no objection be interposed to the proposal of the San Francisco bank to charge estimated losses in the amount of $1,354,000 to its reserve for probable losses.

"It is also recommended that each bank be authorized to pay the usual semi-annual dividend at the end of the year.

(FINANCIAL RESULTS OF OPERATIONS OF THE FEDERAL RESERVE BANKS IN 1929)

FEDERAL RESERVE BANK OF BOSTON

"Estimated gross earnings 5,142,403.79
Estimated current expenses 2,219,865.26
Estimated current net earnings 2,922,538.53

Estimated additions to current net earnings -
Proposed deductions from current net earnings -
Reserves on bank premises:
2½ reserve on building 55,832.00
Reserve on fixed machinery and equipment 66,215.75

Furniture and equipment 30,000.00
Sundry adjustments 11,500.00
Total deductions 163,547.75

Estimated net earnings 2,758,990.78
Dividends 633,165.00
Balance to surplus account 2,125,825.78"
### FEDERAL RESERVE BANK OF NEW YORK

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated gross earnings</td>
<td>$18,934,210.41</td>
</tr>
<tr>
<td>Estimated current expenses</td>
<td>7,094,074.38</td>
</tr>
<tr>
<td>Estimated current net earnings</td>
<td>11,840,136.03</td>
</tr>
<tr>
<td>Estimated additions to current net earnings:</td>
<td></td>
</tr>
<tr>
<td>Profit on U. S. securities sold</td>
<td>159,373.39</td>
</tr>
<tr>
<td>Net income from other real estate</td>
<td>85,601.50</td>
</tr>
<tr>
<td>Profit on Equitable Building leases</td>
<td>24,181.44</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,964.92</td>
</tr>
<tr>
<td>Total additions</td>
<td>271,121.25</td>
</tr>
</tbody>
</table>

- Proposed deductions from current net earnings:             |
  - Reserve on bank premises:                                |
    - Banking house - New York:                              |
      - 2 1/2 reserve on building                            | 179,526.99           |
      - Reserve on fixed machinery & equipment               | 203,260.96           |
    - Banking house - Buffalo:                              |
      - 2 1/2 reserve on building                            | 6,900.00             |
      - Repairs and alterations                              | 7,973.54             |
  - Furniture and equipment                                  | 66,055.07            |
  - Reserve for self-insurance fund (interest on fund)       | 68,297.88            |
  - Sundry adjustments                                       | 7,976.89             |
| Total deductions                                           | 540,001.33           |
| Estimated net earnings                                     | 11,571,255.95        |
| Dividends                                                 | 3,616,404.34         |
| Balance to surplus account                                 | 7,954,851.61         |

### FEDERAL RESERVE BANK OF PHILADELPHIA

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated gross earnings</td>
<td>$6,068,000.00</td>
</tr>
<tr>
<td>Estimated current expenses</td>
<td>2,222,000.00</td>
</tr>
<tr>
<td>Estimated current net earnings</td>
<td>3,846,000.00</td>
</tr>
<tr>
<td>Estimated additions to current net earnings</td>
<td>1,200.00</td>
</tr>
</tbody>
</table>

- Proposed deductions from current net earnings:             |
  - Furniture and equipment                                  | 53,000.00            |
  - Losses on sales of U. S. securities                      | 30,000.00            |
  - Sundry adjustments                                       | 3,200.00             |
| Total deductions                                           | 86,200.00            |
| Estimated net earnings                                     | 3,761,000.00         |
| Dividends                                                 | 939,000.00           |
| Balance to surplus account                                 | 2,822,000.00         |
FEDERAL RESERVE BANK OF CLEVELAND

"Estimated gross earnings $6,963,605.00
Estimated current expenses 2,785,845.11
Estimated current net earnings 4,177,759.89
Estimated additions to current net earnings -

Proposed deductions from current net earnings
Reserves on bank premises -
Banking house - Cleveland:
  2% reserve on building 91,486.91
  Reserve on fixed machinery and equipment 154,184.00
Banking house - Pittsburgh:
  2 1/2% reserve on building 14,011.49
  Reserve on fixed machinery and equipment 13,899.45
Furniture and equipment 44,000.00
Reserve for self-insurance fund (interest on fund) 20,070.00
Loss on sale of U. S. securities 177,000.00
Total deductions 514,601.85

Estimated net earnings 3,663,158.04
Dividends 910,062.50
Balance to surplus account 2,753,095.54

FEDERAL RESERVE BANK OF RICHMOND

"Estimated gross earnings $3,285,000.00
Estimated current expenses 1,594,000.00
Estimated current net earnings 1,691,000.00
Estimated additions to current net earnings -

Proposed deductions from current net earnings
Reserves on bank premises -
Banking house - Richmond:
  2% reserve on building 31,001.13
  Reserve on fixed machinery and equipment 41,040.91
  Special charge-off on annex 72,878.08
Banking house - Baltimore:
  2% reserve on building 24,893.68
  Reserve on fixed machinery and equipment 32,215.59
Furniture and equipment 23,000.00
Reserve for self-insurance fund 100,000.00
Loss on sale of old Baltimore building 30,000.00
Loss on sale of U. S. securities 10,000.00
Net expense - other real estate 4,200.00
Total deductions 366,729.39

Estimated net earnings 1,322,270.61
Dividends 368,700.00
To surplus account 95,357.06
Franchise tax 855,213.55
### FEDERAL RESERVE BANK OF ATLANTA

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated gross earnings</td>
<td>$4,160,105.96</td>
</tr>
<tr>
<td>Estimated current expenses</td>
<td>1,492,595.02</td>
</tr>
<tr>
<td>Estimated current net earnings</td>
<td>2,667,510.94</td>
</tr>
<tr>
<td>Estimated additions to current net earnings</td>
<td></td>
</tr>
<tr>
<td>Proposed deductions from current net earnings</td>
<td></td>
</tr>
<tr>
<td>Reserve on bank premises - 2% reserve on bank buildings:</td>
<td></td>
</tr>
<tr>
<td>Atlanta</td>
<td>20,017.29</td>
</tr>
<tr>
<td>New Orleans</td>
<td>11,527.08</td>
</tr>
<tr>
<td>Birmingham</td>
<td>4,716.61</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>3,273.53</td>
</tr>
<tr>
<td>Nashville</td>
<td>3,031.20</td>
</tr>
<tr>
<td>Reserve on fixed machinery and equipment:</td>
<td></td>
</tr>
<tr>
<td>Atlanta</td>
<td>17,527.93</td>
</tr>
<tr>
<td>New Orleans</td>
<td>15,950.24</td>
</tr>
<tr>
<td>Birmingham</td>
<td>4,678.79</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>2,595.61</td>
</tr>
<tr>
<td>Nashville</td>
<td>2,510.06</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>38,931.46</td>
</tr>
<tr>
<td>Reserve for self-insurance fund</td>
<td>350,000.00</td>
</tr>
<tr>
<td>Reserve for losses on failed banks</td>
<td>696,500.00</td>
</tr>
<tr>
<td>Losses on U. S. securities sold</td>
<td>7,049.66</td>
</tr>
<tr>
<td>Sundry adjustments</td>
<td></td>
</tr>
<tr>
<td>Total deductions</td>
<td>1,180,962.00</td>
</tr>
</tbody>
</table>

**Estimated net earnings**

- $1,490,909.35

**Dividends**

- 321,688.11

**To surplus account**

- 303,331.92

**Franchise tax**

- 865,889.32

---

### FEDERAL RESERVE BANK OF CHICAGO

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated gross earnings</td>
<td>$9,886,000.00</td>
</tr>
<tr>
<td>Estimated current expenses</td>
<td>4,093,000.00</td>
</tr>
<tr>
<td>Estimated current net earnings</td>
<td>5,793,000.00</td>
</tr>
<tr>
<td>Estimated additions to current net earnings</td>
<td></td>
</tr>
<tr>
<td>Proposed deductions from current net earnings</td>
<td></td>
</tr>
<tr>
<td>Reserve on bank premises - 2% reserve on building:</td>
<td></td>
</tr>
<tr>
<td>Banking house - Chicago:</td>
<td></td>
</tr>
<tr>
<td>Reserve on fixed machinery and equipment</td>
<td>90,996.72</td>
</tr>
<tr>
<td>Banking house - Detroit:</td>
<td></td>
</tr>
<tr>
<td>Reserve on fixed machinery and equipment</td>
<td>111,300.00</td>
</tr>
<tr>
<td>Reserve on fixed machinery and equipment</td>
<td>20,068.75</td>
</tr>
<tr>
<td>Reserve on fixed machinery and equipment</td>
<td>11,316.14</td>
</tr>
</tbody>
</table>
"Furniture and equipment $68,000.00
Reserve for losses on paper of failed banks $32,000.00
Loss on U. S. securities sold $45,000.00
Total deductions $378,681.61

Estimated net earnings $5,414,318.39
Dividends $1,170,862.20
To surplus account $5,670,539.82
Franchise tax $572,916.37

FEDERAL RESERVE BANK OF ST. LOUIS

"Estimated gross earnings $3,220,995.34
Estimated current expenses $1,449,355.25
Estimated current net earnings $1,771,640.09

Estimated additions to current net earnings $35,402.45

Proposed deductions from current net earnings
Reserves on bank premises -
Banking house - St. Louis:
2½% reserve on building $33,615.06
Reserve on fixed machinery & equipment $112,603.63
Banking house - Little Rock:
2½% reserve on building $3,757.50
Reserve on fixed machinery & equipment $10,360.78
Banking house - Louisville:
2½% reserve on building $2,902.67
Reserve on fixed machinery & equipment $3,506.02
Banking house - Memphis:
Charge-off to reduce book value to
estimated replacement cost $23,276.18

Furniture and equipment $84,783.73
Reserve for self-insurance $250,000.00
Reserve for losses on paper of failed banks $155,000.00
Loss on sale of U. S. securities $322,982.56
Expenses - other real estate $777.60
Reserve for sundry expenses (employees loan fund) $991.98
Total deductions $1,004,557.51

Estimated net earnings $802,485.03
Dividends $319,237.09
To surplus account $48,324.79
Franchise tax $434,923.15

FEDERAL RESERVE BANK OF MINNEAPOLIS

"Estimated gross earnings $1,930,000.00
Estimated current expenses $1,020,000.00
Estimated current net earnings $910,000.00

* Includes $33,573.67 profit on sale of U. S. securities.
"Estimated additions to current net earnings

Proposed deductions from current net earnings

Reserves on bank premises:
Banking house - Minneapolis:
2½% reserve on building
Reserve on fixed machinery and equipment

Banking house - Helena:
2½% reserve on building
Reserve on fixed machinery and equipment

Furniture and equipment
All other
Total deductions

Estimated net earnings
Dividends
To surplus account
Franchise tax

FEDERAL RESERVE BANK OF KANSAS CITY

"Estimated gross earnings
Estimated current expenses
Estimated current net earnings

Estimated additions to current net earnings:
Profit on U. S. securities sold
Miscellaneous
Total additions

Proposed deductions from current net earnings
Reserves on bank premises:
Banking house:
2½% reserve on building:
Kansas City
Denver
Oklahoma City
Omaha

Fixed machinery and equipment:
Kansas City
Denver
Oklahoma City
Omaha

Furniture and equipment
Total deductions
"Estimated net earnings
 Dividends
 To surplus account
 Franchise tax

FEDERAL RESERVE BANK OF DALLAS

"Estimated gross earnings
 Estimated current expenses
 Estimated current net earnings

Estimated additions to current net earnings:
 Withdrawal from reserve for losses account
 of failed or suspended banks

Proposed deductions from current net earnings:
 Reserves on bank premises-
  2½% reserve on buildings:
    Dallas
    El Paso
    Houston
    San Antonio
 Reserve on fixed machinery and equipment:
    Dallas
    El Paso
    Houston
    San Antonio
 Furniture and equipment
 Reserve for self-insurance fund
 Sundry adjustments
 Total deductions

Estimated net earnings
 Dividends
 To surplus account
 Franchise tax

FEDERAL RESERVE BANK OF SAN FRANCISCO

"Estimated gross earnings
 Estimated current expenses
 Estimated current net earnings

Estimated additions to current net earnings

Proposed deductions from current net earnings
 Reserves on bank premises-
"Banking house - San Francisco:
2% reserve on building $48,263.00
Reserve on fixed machinery & equipment 77,490.78

Banking house - Salt Lake City:
2½% reserve on building 6,828.99
Reserve on fixed machinery & equipment 8,481.36

Furniture & equipment 20,000.00
Reserve for self-insurance fund 500,000.00
Loss on U. S. securities sold 31,000.00
Net expense - other real estate 8,500.00
Miscellaneous 500.00

Total deductions $701,054.13

Estimated net earnings $2,319,000.00
Dividends 671,000.00
Balance to surplus 1,648,000.00"

After discussion, upon motion, it was voted to approve all charges to current net earnings requested by the various Federal Reserve banks, as set out above, and to authorize the payment by each Federal Reserve bank of the usual semi-annual dividend on December 31st.

Inasmuch as the proposed charge-offs and dividend resolution of the Richmond bank were submitted by the Executive Committee in advance of the meeting of the board of directors of the bank tomorrow, they were approved by the Board subject to approval by the Richmond directors.

During the discussion preceding the above action, the Committee on District #5 was requested to take up with the Federal Reserve Bank of Richmond the matter of charge-offs on the annex building owned by the bank which the Board was assured at the time of the purchase of the so-called Foster property in April, 1927 could be disposed of advantageously.

During the discussion, Mr. Smead was requested to recommend to the Board proper limits which should be placed on the reserves for self-insurance now carried or to be established at the several Federal Reserve banks in proportion to their respective capital and surplus, total resources or other advisable basis.

The meeting adjourned at one o'clock.

Approved:

[Signature]

Governor.

[Signature]

Assistant Secretary.