

UNITED STATES GOVERNMENTEXECUTIVE OFFICERS

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|--------------------------|--|
| President | - Herbert Clark Hoover (elected Nov. 1928, inaugurated March 4, 1929) |
| Secretary of Treasury | - Andrew W. Mellon (appointed March 4, 1921, served until Feb. 12, 1932) |
| Comptroller of Currency | - J. W. McIntosh (date of appointment Dec. 20, 1924, resigned Nov. 20, 1928) |
| | - J. W. Pole (date of appointment Nov. 21, 1928, resigned Sept. 20, 1932) |
| Secretary of State | - Frank B. Kellogg |
| Secretary of War | - Dwight F. Davis |
| Secretary of Navy | - Curtis D. Wilbur |
| Secretary of Interior | - Hubert Work , Roy O. West |
| Secretary of Agriculture | - William M. Jardine |
| Secretary of Commerce | - William F. Whiting |
| Secretary of Labor | - James J. Davis |
| Postmaster General | - Harry S. New |
| Attorney General | - John D. Sargent |

1928

December

U. S. G O V E R N M E N T

S E N A T E

Banking and Currency Committee

70th Congress

Republicans

NORBECK, Peter
EDGE, Walter E.
PHIPPS, Lawrence C.
SACKETT, Frederic M.
FRAZIER, Lynn J.
PINE, W. B.
BROOKHART, Smith W.
STEIWER, Frederick

South Dakota
New Jersey
Colorado
Kentucky
North Dakota
Oklahoma
Iowa
Oregon

Democrats

FLETCHER, Duncan U.
GLASS, Carter
EDWARDS, Edward I.
MAYFIELD, Earle B.
WAGNER, Robert F.
BARKLEY, Alben W.
TYDINGS, Millard E.

Florida
Virginia
New Jersey
Texas
New York
Kentucky
Maryland

1928
December

U. S. G O V E R N M E N T

HOUSE OF REPRESENTATIVES

Banking and Currency Committee

70th Congress

Republicans

McFADDEN, Louis T.
KING, Edward J.
STRONG, James G.
LUCE, Robert
MacGREGOR, Clarence
FENN, E. Hart
CAMPBELL, Guy E.
LEATHERWOOD, Elmer O.
BEEDY, Carroll L.
HOOPER, Joseph L.
GOODWIN, Godfrey G.
LETTTS, F. D.

Pennsylvania
Illinois
Kansas
Massachusetts
New York
Connecticut
Pennsylvania
Utah
Maine
Michigan
Minnesota
Iowa

Democrats

WINGO, Otis
STEAGALL, Henry B.
BRAND, Charles H.
STEVENSON, William F.
BLACK, Eugene
GOLDSBOROUGH, T. Alan
PRALL, Anning S.
CANFIELD, Harry C.

Arkansas
Alabama
Georgia
South Carolina
Texas
Maryland
New York
Indiana

Ex Officio Members

A. W. Mellon,
Secretary of the Treasury,
Chairman

J. W. McIntosh
Comptroller of the Currency

Roy A. Young, Governor
Edmund Platt, Vice Governor

Adolph C. Miller
Charles S. Hamlin
George R. James
Edward H. Cunningham

Secretary's Office

Walter L. Eddy, Secretary
J. C. Noell, Asst. Secretary
E. M. McClelland, Asst. Secretary.

Fiscal Agent

W. M. Imlay, Fiscal Agent

Division of Examination

J. F. Herson, Chief
and
Chief Federal Reserve Examiner

Counsel's Office

Walter Wyatt, General Counsel

Division of Research and Statistics

E. A. Goldenweiser, Director
Carl E. Parry, Asst. Director

Division of Bank Operations

E. L. Smead, Chief

FEDERAL RESERVE SYSTEM
FEDERAL ADVISORY COUNCIL

District No. 1 (Boston)	Arthur M. Heard
District No. 2 (New York)	James S. Alexander
District No. 3 (Philadelphia)	L. L. Rue
District No. 4 (Cleveland)	Harris Creech
District No. 5 (Richmond)	John F. Bruton, Vice President
District No. 6 (Atlanta)	P. D. Houston
District No. 7 (Chicago)	Frank O. Wetmore, President
District No. 8 (St. Louis)	W. W. Smith
District No. 9 (Minneapolis)	Theodore Wold
District No. 10 (Kansas City)	P. W. Goebel
District No. 11 (Dallas)	B. A. McKinney
District No. 12 (San Francisco)	F. L. Lipman

FEDERAL RESERVE SYSTEM

OPEN MARKET INVESTMENT COMMITTEE

Composed of five Governors of Federal Reserve Banks:

- Boston - W. P. G. Harding
- New York - Benjamin Strong (d. Oct. 16)
George L. Harrison, Nov. 23
- Philadelphia - George W. Norris
- Cleveland - E. R. Fancher
- Chicago - J. B. McDougal

Federal Reserve Bank of Boston (Dist. 1)

OFFICERS

Governor	-	W. P. G. Harding
Deputy Governor	-	W. W. Paddock
Chairman and Federal Reserve Agent	-	Frederic H. Curtiss
Deputy Chairman	-	Allen Hollis

Federal Reserve Bank of Boston (Dist. 1)

DIRECTORS

<u>Class A</u>	<u>Term Expires Dec. 31</u>
CHAMBERLAIN, Frederick S. (New Britain, Conn.)	1928
RIPLEY, Alfred L. (Boston, Mass.)	1929
KENNARD, Edward S. (Rumford, Me.)	1930 (re-elected)
 <u>Class B</u>	
BOWMAN, Albert C. (Springfield, Vt.)	1928
ALLEN, Philip R. (East Walpole, Mass.)	1929
WASHBURN, Chas. G. (Worcester, Mass.)	1930 (re-elected)
 <u>Class C</u>	
MANCHESTER, Chas. H. (Providence, R.I.)	1928
CURTISS, Frederic H. (Boston, Mass.) Chairman and FR Agent	1929
HOLLIS, Allen (Concord, N.H.) Deputy Chairman	1930 (re-appointed)

Federal Reserve Bank of New York (Dist. 2)

OFFICERS

Governor	-	Benjamin Strong (died October 16) George L. Harrison (effective Nov. 23)
Acting Governor	-	Gates Mc Garrah (after October 16 to Nov. 23)
Deputy Governors	-	J. H. Case L. F. Sailer G. L. Harrison
		E. R. Kenzel A. W. Gilbert L. R. Rounds
Chairman and Federal Reserve Agent	-	Gates Mc Garrah
Deputy Chairman	-	Owen D. Young

1928

Federal Reserve Bank of NEW YORK (Dist. 2)DIRECTORS

<u>CLASS A</u>	<u>Term Began</u>	<u>Dec. 31</u> <u>Term Ended</u>
REYNOLDS, Jackson E. (New York)	1/1/26	1928
TREMAN, Robert H. (Ithaca)	1/1/27	1929
RUNKLE, Delmer (Hoosick Falls)	1/1/28	1930 (reelected)
<u>CLASS B</u>		
WHITMARSH, Theodore F. (New York)	1/1/27	1929
WOODIN, William H. (New York)	4/1/27	1928
REYBURN, Samuel W. (New York)	1/1/28	1930 (reelected)
<u>CLASS C</u>		
McGARRAH, Gates W. (New York)	5/2/27	1928 (Chairman)
YOUNG, Owen D. (New York)	1/13/27	1929 (Deputy Chairman)
WOOLLEY, Clarence M. (Greenwich)	1/1/28	1930 (reappointed)

Federal Reserve Bank of Philadelphia (Dist. 3)

OFFICERS

Governor	-	George W. Norris
Deputy Governor	-	William H. Hutt
Chairman and Federal Reserve Agent	-	Richard L. Austin
Deputy Chairman	-	Alba B. Johnson

Federal Reserve Bank of Philadelphia (Dist. 3)

DIRECTORS

<u>Class A</u>	<u>Term Expires</u> <u>Dec. 31</u>
COSGROVE, John C. (Johnstown, Pa.)	1928
WAYNE, Jos.(Jr.) (Philadelphia, Pa.)	1929
REILY, Geo. W. (Harrisburg, Pa.)	1930 (elected)
 <u>Class B</u>	
STOUT, C. F. C. (Philadelphia, Pa.)	1928
SEAWALL, Arthur W. (Philadelphia, Pa.)	1929
DORRANCE, A. C. (Camden, N. J.)	1920 (elected)
 <u>Class C</u>	
CANNON, H. L. (Bridgeville, Del.)	1928
AUSTIN, R. L. (Philadelphia, Pa.) Chairman and FR Agent	1929
JOHNSON, Alba B. (Philadelphia, Pa.) Deputy Chairman	1930 (appointed)

OFFICERS

Governor	-	E. R. Fancher
Deputy Governors	-	M. J. Fleming Frank J. Zurlinden
Chairman and Federal Reserve Agent	-	George De Camp
Deputy Chairman	-	L. B. Williams

Federal Reserve Bank of Cleveland (Dist. 4)

DIRECTORS

<u>Class A</u>	<u>Term Expires</u> <u>Dec. 31</u>
LAMBERTON, Chess (Franklin, Pa.)	1928
WARDROP, Robert (Pittsburgh, Pa.)	1929
SAMS, O. N. (Hillsboro, Ohio)	1930 (re-elected)
 <u>Class B</u>	
WRIGHT, R. P. (Erie, Pa.)	1928
CRABBS, Geo. D. (Cincinnati, Ohio)	1929
BUSH, S. P. (Columbus, Ohio)	1930 (elected)
 <u>Class C</u>	
WILLIAMS, L. B. (Cleveland, Ohio) Deputy Chairman	1928
De CAMP, George (Cleveland, Ohio) Chairman and FR Agent	1929
KNIGHT, W. W. (Toledo, Ohio)	1930 (re-appointed)

Federal Reserve Bank of Richmond (Dist. 5)

OFFICERS

Governor	-	George J. Seay
Deputy Governors	-	C. A. Peple R. H. Broaddus
Chairman and Federal Reserve Agent	-	William W. Hoxton
Deputy Chairman	-	Frederic A. Delano

Federal Reserve Bank of Richmond (Dist. 5)

DIRECTORSClass ATerm Expires
Dec. 31

BRASWELL, Jas.C. (Rocky Mount, N.C.)

1928

JOHNSON, L. E. (Alderson, W. Va.)

1929

RIEMAN, Chas. E. (Baltimore, Md.)

1930 (re-elected)

Class B

GRAHAM, Edwin C. (Washington, D.C.)

1928

COKER, D. R. (Hartsville, S.C.)

1929

STRUDWICK, Edmund (Richmond, Va.)

1930 (re-elected)

Class C

LASSITER, Robert (Charlotte, N.C.)

1928

HOXTON, Wm. W. (Richmond, Va.) Chairman and FR Agent

1929

DELANO, Frederic A. (Washington, D. C.) Deputy Chairman

1930 (re-appointed)

Federal Reserve Bank of Atlanta (Dist. 6)

OFFICERS

Governor	-	Eugene R. Black
Deputy Governors	-	Hugh Foster Creed Taylor
Chairman and Federal Reserve Agent	-	Oscar Newton
Deputy Chairman	-	W. H. Kettig

Federal Reserve Bank of Atlanta (Dist. 6)

DIRECTORS

<u>Class A</u>	Term Expires <u>Dec. 31</u>
MELVIN, E. C. (Selma, Ala.)	1928
WARE, G. G. (Leesburg, Fla.)	1929
YOUNG, H. Lane (Atlanta, Ga.)	1930 (elected)
 <u>Class B</u>	
LEA, Luke (Nashville, Tenn.)	1928
SIMON, Leon C. (New Orleans, La.)	1929
MCCRARY, J. A. (Decatur, Ga.)	1930 (re-elected)
 <u>Class C</u>	
KETTIG, W. H. (Birmingham, Ala.) Deputy Chairman	1928
NEWTON, Oscar (Atlanta, Ga.) Chairman and FR Agent	1929
HARRIS, Geo. S. (Atlanta, Ga.)	1930 (appointed)

Federal Reserve Bank of Chicago (Dist. 7)

OFFICERS

Governor	-	J. B. Mc Dougal
Deputy Governor	-	C. R. Mc Kay John H. Blair
Chairman and Federal Reserve Agent	-	W. A. Heath
Deputy Chairman	-	James Simpson

Federal Reserve Bank of Chicago (Dist. 7)

DIRECTORS

<u>Class A</u>	<u>Term Expires</u> <u>Dec. 31</u>
McNIDER, Chas. H. (Mason City, Iowa)	1928
JOHNSON, E. L. (Waterloo, Iowa)	1929
REYNOLDS, George M. (Chicago, Ill.)	1930
 <u>Class B</u>	
CRAPO, S. T. (Detroit, Mich.)	1928
MUELLER, Robert (Decatur, Ill.)	1929
VOGEL, A. H. (Milwaukee, Wis.)	1930 (re-elected)
 <u>Class C</u>	
BALL, F. C. (Muncie, Ind.)	1928
SIMPSON, James (Chicago, Ill.) Deputy Chairman	1929
HEATH, W. A. (Chicago, Ill.) Chairman and FR Agent	1930 (re-appointed)

Federal Reserve Bank of St. Louis (Dist. 8)

OFFICERS

Governor - D. C. Biggs

Deputy Governor - O. M. Attebery

Chairman and Federal
Reserve Agent - William McC. Martin

Deputy Chairman - John Boehne

Federal Reserve Bank of St. Louis (Dist. 8)

DIRECTORS

<u>Class A</u>	<u>Term Expires</u> <u>Dec. 31</u>
MARTIN, John C. (Salem, Ill.)	1928
LONSDALE, John G. (St. Louis, Mo.)	1929
NAHM, Max B. (Bowling Green, Ky.)	1930 (elected)
 <u>Class B</u>	
PLUNKETT, W. B. (Little Rock, Ark.)	1928
PERCY, Le Roy (Greenville, Miss.)	1929
WELLS, Rolla (St. Louis, Mo.)	1930 (re-lected)
 <u>Class C</u>	
DILLARD, Paul (Memphis, Tenn.)	1928
BOEHNE, John W. (Evansville, Ind.) Deputy Chairman	1929
McC. MARTIN, Wm. (St. Louis, Mo.) Chairman and FR Agent	1930 (re-appointed)

Federal Reserve Bank of Minneapolis (Dist. 9)

OFFICERS

Governor - W. B. Geery

Deputy Governors - B. V. Moore
Harry Yaeger

Chairman and
Federal Reserve
Agent - John R. Mitchell

Deputy Chairman - Homer P. Clark

Federal Reserve Bank of Minneapolis (Dist. 9)

DIRECTORS

<u>Class A</u>	<u>Term Expires</u> <u>Dec. 31</u>
LEEMAN, Paul J. (Minneapolis, Minn.)	1928
BASSETT, J. C. (Aberdeen, S.Dak.)	1929
FARUP, Karl J. (Park River, N.Dak.)	1930 (elected)
 <u>Class B</u>	
MYERS, Paul N. (St. Paul, Minn.)	1928
HOLTER, N. B. (Helena, Mont.)	1929
OWEN, John S. (Eau Claire, Wis.)	1930 (re-elected)
 <u>Class C</u>	
McCORMICK, Geo. W. (Menominee, Mich.)	1928
MITCHELL, John R. (Minneapolis, Minn.) Chairman and FR Agent	1929
CLARK, Homer P. (St. Paul, Minn.) Deputy Chairman	1930 (re-appointed)

OFFICERS

Governor - W. J. Bailey

Deputy Governor - C. A. Worthington

Chairman and Federal
Reserve Agent - M. L. Mc Clure

Deputy Chairman - William L. Petrikin

Federal Reserve Bank of Kansas City (Dist. 10)

DIRECTORS

<u>Class A</u>	<u>Term Expires</u> <u>Dec. 31</u>
SPONABLE, Frank W. (Paola, Kans.)	1928
MULLANEY, E. E. (Hill City, Kans.)	1929
PARKS, C. C. (Denver, Colo.)	1930 (re-elected)
 <u>Class B</u>	
BERNARDIN, J. M. (Kansas City, Mo.)	1928
PHILLIPS, L. E. (Bartlesville, Okla.)	1929
BYRNE, Thos. C. (Omaha, Nebr.)	1930 (re-elected)
 <u>Class C</u>	
PETRIKIN, Wm. L. (Denver, Colo.) Deputy Chairman	1928
McCLURE, M. L. (Kansas City, Mo.) Chairman and FR Agent	1929
BRASS, E. M. (Grand Island, Nebr.)	1930 (appointed)

OFFICERS

Governor	-	Lynn P. Talley
Deputy Governors	-	R. R. Gilbert R. B. Coleman
Chairman and Federal Reserve Agent	-	C. C. Walsh
Deputy Chairman	-	Clarence E. Linz

Federal Reserve Bank of Dallas (Dist. 11)

DIRECTORSClass A

Term Expires

Dec. 31

PATRICK, W. H. (Clarendon, Tex.)
 SMITH, Howell E. (Mc Kinney, Tex.)
 FROST, J. H. (San Antonio, Tex.)

1928
 1929
 1930 (re-elected)

Class B

NAIL, J. H. (Fort Worth, Tex.)
 CULBERTSON, J. J. (Paris, Tex.)
 MILAN, J. R. (Waco, Tex.)

1928
 1929
 1930 (Elected)

Class C

WALSH, C. C. (Dallas, Tex.) Chairman and FR Agent
 LINZ, Clarence E. (Dallas, Tex.) Deputy Chairman
 PERKINS, S. B. (Dallas, Tex.)

1928
 1929
 1930 (re-appointed)

OFFICERS

Governor	-	J. U. Calkins
Deputy Governors	-	William A. Day Ira Clerk
Chairman and Federal Reserve Agent	-	Isaac B. Newton
Deputy Chairman	-	Walton N. Moore

Federal Reserve Bank of San Francisco (Dist. 12)

DIRECTORS

<u>Class A</u>	<u>Term Expires</u> <u>Dec.31</u>
McINTOSH, C. K. (San Francisco, Calif.)	1928
RAMSAY, T. H. (Red Bluff, Calif.)	1929
WHIPPLE, Howard (Turlock, Calif.)	1930
 <u>Class B</u>	
COX, E. H. (Madera, Calif.)	1928
DOHRMANN, A. B. C. (San Francisco, Calif.)	1929
SESNON, Wm. T. (Soquel, Calif.)	1930 (re-elected)
 <u>Class C</u>	
SPROULE, Wm. (San Francisco, Calif.)	1928
NEWTON, Isaac B. (San Francisco, Calif.) Chairman and FR Agent	1929
MOORE, Walton N. (San Francisco, Calif.) Deputy Chairman	1930 (re-appointed)

1928

HEARINGS

Feb. 9, 29

Mar 7

U.S. Congress. Senate. Banking and currency
committee. HG
4621

Brokers' loans: hearings before the committee... .UI
on S. Res. 113, a resolution favoring a restriction (1928)
of loans by Federal reserve banks for speculative
purposes, February 9, 29, and March 7, 1928.
Wash., Govt. ptg. off., 1928.

96 p.

Testi-	Cunningham, E.H. (FRBd)	Mar. 7	pp. 94-96
mony:	Platt, Edmund (FRBd)	"	PP. 77-94
	Young, R; A. (Gov. FRBd)	"	pp. 66-77
	Sprague, Prof. O.M.W.	"	pp. 31-66
	Willis, Dr. H.P.	Feb 29	PP 11-31

F.R.Bd.L.

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1928

HEARINGS

Mar 16

U.S. Congress. House. Rules committee.

Federal Reserve Bank of Dallas, Texas:

HEARINGS ...70th, 1st sess. on H. Con. Res. 24,
March 16, 1928. Wash., Govt. ptg. off., 1928.
18.p. (photo.)

HG
2560
.A2
1928

F.R.Bd.L.

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1928

HEARINGS

Mar. 19-21; Apr 30

May 1-4, 8, 9, 15-18, 23, 24,
28, 29

U.S. Congress. House. Committee on banking and
currency.

HB
236
.U5
1928

Stabilization: hearings before the committee
... 70th congress, 1st sessl., on H.R. 11806,
(superseding H.R. 7895, 69th cong.), a bill to
amend the act approved Dec. 23, 1913, known as
The Federal reserve act; to define certain
policies toward which the powers of the Federal
reserve system shall be directed ... Mar. 19, 20, 21,
April 30, May 1-4, 8, 9, 15-18, 23, 24, 28, 29, 1928.
Wash., Govt. ptg. off., 1928.

458 p.

Testimony: Cunningham, E. H., Letter, p. 385

F.R. Bd. L. Hamlin, C. S. (mbr. F.R. Bd.) May 23, pp. 389-408

Sprague, Prof. O. M. W. pp. 130-159

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Strong, Benjamin, Mar. 19, pp. 12-21

[PUBLIC—No. 120—70TH CONGRESS]

[H. R. 6491]

An Act To amend section 8 of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last proviso of the second paragraph of section 8 of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," found in title 15, chapter 1, section 19, United States Code, approved October 15, 1914, as amended, is amended to read as follows:

"And provided further, That nothing in this Act shall prohibit any private banker from being an officer, director, or employee of not more than two banks, banking associations, or trust companies, or prohibit any officer, director, or employee of any bank, banking association, or trust company, or any class A director of a Federal reserve bank, from being an officer, director, or employee of not more than two other banks, banking associations, or trust companies, whether organized under the laws of the United States or any State, if in any such case there is in force a permit therefor issued by the Federal Reserve Board; and the Federal Reserve Board is authorized to issue such permit if in its judgment it is not incompatible with the public interest, and to revoke any such permit whenever it finds, after reasonable notice and opportunity to be heard, that the public interest requires its revocation."

Approved, March 9, 1928.

1928
May 7

LEGISLATION

[PUBLIC—No. 352—70TH CONGRESS]

[H. R. 10151]

An Act To amend section 9 of the Federal Reserve Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 9 of the Federal Reserve Act be amended by adding thereto a new paragraph as follows:

"All banks or trust companies incorporated by special law or organized under the general laws of any State, which are members of the Federal reserve system, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. The Secretary of the Treasury shall require of the banks and trust companies thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safe keeping and prompt payment of the public money deposited with them and for the faithful performance of their duties as financial agents of the Government."

Approved, May 7, 1928.

1928
May 29

LEGISLATION

[PUBLIC—No. 594—70TH CONGRESS]

[S. 1989]

An Act To amend the third paragraph of section 13 of the Federal Reserve Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the third paragraph of section 13 of the Federal Reserve Act (Title 12, section 344, United States Code), be amended and reenacted to read as follows: "Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, and subject to regulations and limitations to be prescribed by the Federal Reserve Board, any Federal reserve bank may discount or purchase bills of exchange payable at sight or on demand which grow out of the domestic shipment or the exportation of nonperishable, readily marketable agricultural and other staples and are secured by bills of lading or other shipping documents conveying or securing title to such staples: *Provided*, That all such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made with reasonable promptness after the arrival of such staples at their destination: *Provided further*, That no such bill shall in any event be held by or for the account of a Federal reserve bank for a period in excess of ninety days. In discounting such bills Federal reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the discount after payment of such bills to conform to the actual life thereof."

Approved, May 29, 1928.

1928

FEDERAL RESERVE SYSTEM

POLICY ACTION

January 1928 to May 1929

Apparent Intent - Restrictive

- Open Market Operations - Sold \$405 million of Government securities (January 1928-April 1929).
Buying rate on bankers' acceptances raised (January 1928-March 1929).
- Discount Rate - Raised in 3 stages from $3\frac{1}{2}$ to 5 percent at all Banks.
- Moral Suasion - Pressure by Federal Reserve System on member banks to avoid contributing to growth in speculative security loans.
- Surrounding Circumstances - Industrial production expanding rapidly, particularly for durable goods; prices of stocks increasing sharply; huge growth in security loans and new security issues; action aimed at checking speculative activity and making member banks scrutinize loan applications more carefully.

Source: Joint Committee on the Economic Report
Monetary Policy and the Management of the Public Debt (Patman Report) 1952,
Page 217.

9.401. Power of Board to control purchase of stock by State member banks prior to 1933.—A State member bank, authorized to purchase stock by its charter and the laws of the State, may lawfully purchase the controlling stock interest of a new bank; and the Federal Reserve Board has no present statutory authority, either express or implied, to regulate, control, or prevent the purchase of such stock interest, so long as the solvency of the bank or the safety of its customers are not thereby jeopardized and the standard required as a condition of membership is maintained. Furthermore, since it does not possess power to prevent the purchase, the Board would not have power to compel such bank to divest itself of the stock when purchased; nor would the Board have authority to require such bank to surrender its stock in the Federal Reserve bank and forfeit its membership in the Federal Reserve System, unless the amount and character of stock investments held by such bank are deemed by the Board to jeopardize the safety of depositors, the solvency of the bank, and/or lower the standard required as a condition of membership in the Federal Reserve System. 35 *Op. Atty. Gen.* 449 (1928).

NOTE.—Section 9 of the Federal Reserve Act was amended by the Banking Act of 1933 so as to make State member banks subject to the limitations of section 5136 of the Revised Statutes, with respect to the purchase of investment securities and stock, and so as to require State member banks to submit reports of their affiliates and to obtain from their holding company affiliates agreements that such affiliates should be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes in the case of holding company affiliates of national banks. See 9.402.

13.441.—A State nonmember bank which had refused to remit at par checks drawn upon it and forwarded for payment by the Federal Reserve bank, brought action against the Federal Reserve bank for damages alleged to have resulted from coercion on the part of the latter bank in presenting checks over the plaintiff's counter for payment and thus forcing plaintiff to agree to remit to defendant at par. The court pointed out that the Federal Reserve banks are required to receive on deposit at par from member banks and Reserve banks checks and drafts on any of their member banks; that they are authorized to so receive checks payable on presentation upon any banks within their districts whether such banks are member banks or not; that no exchange charge can be made against the Reserve banks by the member banks and that the Reserve banks may not pay exchange; and that the result is a system of par clearance of checks and items among member banks and between such banks and the Reserve banks. It was held, therefore, that the Federal Reserve bank was justified in employing agents for the presentation of checks drawn on the plaintiff nonmember bank over the plaintiff's counter for payment provided such checks were not accumulated and presented by the Federal Reserve bank in an oppressive manner; and that evidence of oppression or coercion was lacking in this case. Accordingly, judgment for the plaintiff was reversed. *First State Bank of Hugo v. Federal Reserve Bank of Minneapolis*, 174 Minn. 535, 219 N.W. 908 (1928). 1928 BULLETIN 517.

13.500. **Necessity for proving actual damage.**—Certain checks deposited by plaintiff with a national bank were forwarded to the Federal Reserve bank for collection, and the latter bank presented the checks by mail directly to the drawee bank for payment. Upon the failure of the drawee and nonpayment of the checks, plaintiff brought suit against both the national bank and the Federal Reserve bank, alleging negligence on the part of the latter in presenting the checks for payment directly to the drawee rather than through a member bank in the same locality. It appeared that a number of other checks had been presented to the drawee prior to the presentation of the plaintiff's checks and that at no time did the drawee bank have sufficient funds to pay such checks. In the opinion of the court, plaintiff's checks would not have been entitled to any preference and there was no evidence to show that the checks would have been preferred even if they had been presented by the Federal Reserve bank through other banks; and since, therefore, the alleged negligence of the defendant did not result in any actual damage to the plaintiff, it was held that there could be no recovery. In these circumstances, the court deemed it unnecessary to discuss the question whether the authority of the Federal Reserve bank to present the checks directly to the drawee bank for payment was in conflict with or superseded the State statute prohibiting the collection of checks in this manner. *Louisville & N. R. Co. v. Federal Reserve Bank of Atlanta*, 157 Tenn. 497, 10 S.W. (2d) 683 (1928).

NOTE.—For opinion in trial court, see 1927 BULLETIN 505.

13.643. Funds on deposit in another bank not impressed with trust.—The Federal Reserve Bank of Richmond forwarded certain checks for collection and payment to the State bank upon which they were drawn; and the latter bank remitted by a draft on a national bank with which it had funds on deposit. The drawee bank failed and its draft was dishonored by the depository national bank. It appeared that the failed bank was indebted to the national bank and the latter bank therefore claimed the right to apply the deposits of the drawee bank to such indebtedness. The Federal Reserve bank, on the other hand, contended that upon the collection by the drawee bank of the checks drawn upon itself and the issuance of a draft on the national bank, the funds in the national bank became impressed with a trust in favor of the Reserve bank in the amount of such checks. It was held that the funds deposited by the drawee bank with the national bank became the property of the latter bank and created the relationship of debtor and creditor; that no trust was created in favor of the Federal Reserve bank; and that therefore the equity of the national bank in the funds in question was superior to that of the Federal Reserve bank. *Federal Reserve Bank of Richmond v. State and City Bank and Trust Co.*, 150 Va. 423, 143 S.E. 697 (1928).

NOTE.—See *contra* 13.602.