A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, January 9, 1928 at 11:00 a.m.

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

PRESENT ALSO: Dr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Smead, Chief of the Division of Bank Operations
Mr. Wyatt, General Counsel

The minutes of the meeting of the Federal Reserve Board held on January 7th were read and approved.

Letter dated December 29th from the Federal Reserve Agent at Dallas, advising that the Board has heretofore approved an application of that bank for a progressive penalty above the basic rate for continued deficiencies in reserves of member banks but that, after consideration of the Board's new Regulation D, effective January 3, 1928, it has been decided to apply only the basic rate as provided therein and not to make application for approval of the imposition of an additional progressive penalty.

Noted, without objection.

Report of Committee on Examinations on the matters referred to it at the meeting on January 7th, namely letters addressed to the Federal Reserve Agent at Kansas City, relative to the Farmers State Bank, Genoa, Nebraska and the Oakland State Bank, Oakland, Nebraska; the Board's Committee recommending approval of the letters.

Approved.

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Report of Executive Committee on letter dated November 29th from the Federal Reserve Agent at San Francisco, advising that in accordance with the Board's letter of December 4, 1926 (X-4739) he has reviewed the situation with respect to member banks located in outlying sections of reserve cities which have been granted permission to carry reduced reserves on demand deposits under Section 19 of the Federal Reserve Act; the Agent stating that the review in the case of each bank indicated that there has been no change in the character of its business since the date on which the Board granted permission to carry reduced reserves and recommending, therefore, that all permits granted be continued. The Executive Committee concurred in the recommendation of the Federal Reserve Agent.

Approved.

Draft of letter to the Assistant Federal Reserve Agent at New York, prepared by Counsel, with reference to the Clayton Act permits issued to Messrs. Samuel L. McCune and Arthur H. Seibig, involving the United Bank and Trust Company and the Ohio-Pennsylvania Joint Stock Land Bank, both in Cleveland, Ohio, and the New York Joint Stock Land Bank of New York City, which latter institution has recently moved its office to Rochester, N. Y.; the proposed letter stating that the Board understands that there has been no change in the corporate entity of the New York Joint Stock Land Bank which has merely moved its office to Rochester, and that in view of this fact it will not be necessary for Messrs. McCune and Seibig to obtain new permits.

Upon motion, the proposed letter was approved.

Letter dated January 7th from the Chairman of the Federal Reserve

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Bank of Cleveland, advising of the re-election of Mr. Harris Creech as member of the Federal Advisory Council from the Fourth District during the year 1928.

Noted.

The Committee on Examinations then submitted telegram dated December 6th and letter dated December 7th from the Federal Reserve Agent at St. Louis, with reference to and recommending approval of a proposal of the Fidelity Bank and Trust Company, Memphis, Tenn. to reduce its capital stock from $1,000,000 to $500,000; the released capital to be used to reduce banking house equity from $603,600 to $400,000, to establish a surplus fund of $250,000 and to increase the bank's undivided profits account.

Upon recommendation of the Committee, the proposed reduction was approved.

At this point, the Secretary of the Treasury joined the meeting and took the chair.

The Governor reported a telephone conversation Saturday with the Deputy Governor of the Federal Reserve Bank of New York, during which he, the Governor, was advised that in view of the existing situation in the money market it was felt that it might be expedient to sell from $40,000,000 to $50,000,000 of government securities from the System account and that the question of such a sale had been taken up with the members of the Open Market Investment Committee and approved by them. The Governor stated that being familiar with the attitude of the members of the Board through informal discussions and feeling that there would be no objection, he advised the Deputy Governor of the New York bank accordingly.

Upon motion, the sale of not to exceed $50,000,000 of securities from the Special Investment Account, if and when deemed advisable, was formally approved.

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At this point, Mr. McIntosh also jointed the meeting and a detailed discussion ensued with respect to the condition of the money market, particular reference being made to the steady increase in the amount of loans to brokers and dealers on the security of stocks and bonds.

REPORTS OF STANDING COMMITTEES:

Dated, January 9th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

Dated, January 6th, Recommending approval of the application of Mr. William Crawford for permission to serve at the same time as director of the Hanover National Bank, New York, N. Y., and as director of the Colonial Bank, New York, N. Y.
Recommendation approved.

Dated, January 6th, Recommending approval of the application of Mr. John J. Mulkerin for permission to serve at the same time as director of the First National Bank, Medford, Mass. and as director of the Medford Cooperative Bank, Medford, Mass.
Recommendation approved.

The meeting adjourned at 1:10 p.m.

Secretary.

Approved:

Governor.

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