A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, January 13, 1928 at 11:45 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on January 9th and the meeting of the Executive Committee held on January 11th were read and approved.

The minutes of the meeting of the Board held on January 12th were read and referred back to the Secretary for amendment.

Memorandum dated January 12th from the Secretary quoting a resolution adopted by the board of directors of the Federal Reserve Bank of Richmond at their meeting yesterday, and telephoned to the Board by the Chairman of the Richmond bank as follows:

"At a meeting of the Board of Directors of the Federal Reserve Bank of Richmond held on January 12, 1928, at which all of the nine directors were present the subject of the discount rate was fully discussed and considered.

"The very admirable presentation of the problem prepared by the Governor of the bank (under date of January 7, 1928) which had been put in the hands of each director before the meeting, was taken up and discussed.

"As a result of these deliberations, the Board expressed the unanimous opinion that the discount rate of the Federal Reserve Bank of Richmond should be raised to 4 per cent on February 9 next (the date of our next meeting) and that in the interim the investment securities of the bank should be gradually reduced in the discretion of its officers.

"This Board recognizes that some condition may arise to require action on this question before the next meeting on February 9, and if such a condition, in the judgment of the Executive Committee, should arise, the Chairman of the Board is requested to take a telegraphic vote on the question.

"It was voted that the views of this Board should be communicated to the Federal Reserve Board simultaneously with the transmission of the usual advice to the Federal Reserve Board that no change in rate was voted at this meeting."

Noted.
Letter dated January 12th from the Secretary of the Federal Reserve Bank of New York, telegram dated January 12th from the Chairman of the Federal Reserve Bank of Richmond, telegram dated January 12th from the Chairman of the Federal Reserve Bank of Kansas City and telegram dated January 13th from the Chairman of the Federal Reserve Bank of Dallas, all 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 dated January 13th from the Director of the Division of Research and Statistics, recommending the appointment of Mrs. Joyce W. Moss as statistical clerk at a salary of $1440 per annum, effective January 16, 1928; the Director stating that funds to cover this appointment are available in the Division's budget.

Approved.

Report of Committee on Salaries and Expenditures on letter dated January 7th from the Federal Reserve Agent at St. Louis, requesting approval of the action of the Executive Committee of that bank in voting to extend until January 23, with full pay, leave of absence on account of illness previously granted Miss Vela Hamilton, an employee of the Little Rock Branch; the Board's Committee recommending approval of the salary payment involved.

Approved.

Letter dated January 10th from the Chairman of the Federal Reserve
Bank of New York, advising of the re-election of Mr. James S. Alexander as member of the Federal Advisory Council from the Second Federal Reserve District during the year 1928.

Noted.

Letter dated January 5th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the election of Mr. F. L. Lipman as member of the Federal Advisory Council from the Twelfth District for the year 1928, and advising that subject to the Board's approval Mr. Lipman's compensation and allowances have been fixed at $750 for each meeting attended.

The appointment of Mr. Lipman was noted, and upon motion the compensation fixed for him was approved.

Memorandum from the Secretary dated January 10th, submitting letter of January 5th from the Chairman of the Federal Reserve Bank of San Francisco, advising of fees and allowances fixed by the directors of the Federal Reserve Bank of San Francisco for the attendance of directors upon meetings at the head office and branches; the Secretary stating that the fees and allowances set out in the letter are the same as those now in effect.

Approved.

Letter dated January 5th from the Chairman of the Federal Reserve Bank of San Francisco, transmitting resolution adopted by the directors of that bank requesting that the Board prescribe for the Twelfth Federal Reserve District the additional progressive penalties for continued deficiencies in reserves as set out in Section IV of Regulation D, Series
Report of Committee on Examinations on letter dated January 5th from the Assistant Federal Reserve Agent at Cleveland, with reference to the proposed purchase by the Commercial Savings Bank and Trust Company, Toledo, Ohio, a member bank, of the assets of the City Savings Bank, Toledo, a non-member institution; the Board's Committee reporting that the banks appear to be in good condition and that it sees no objection to the merger. Upon motion, the proposed merger was noted without objection.

Report of the Law Committee dated January 11th with reference to the matter referred to it at the meeting on November 30th, namely, letter dated November 23rd from the Federal Reserve Agent at San Francisco, transmitting copy of letter from the President of the Bancitaly Corporation and a memorandum from Counsel to the Federal Reserve bank, both expressing disagreement with the opinion of the Board taken at a meeting on October 13, 1927 that the Bancitaly Corporation in acquiring 37.9% of the stock of the United Bank and Trust Company without the approval of the Board and the Comptroller violated the agreement entered into by the Corporation under date of February 17, 1927 with the Board and the Comptroller of the Currency; the Committee expressing the opinion that the matter might well be dismissed from the Board's records, with the statement that while there appears to be a technical violation, it was not such a violation as was contemplated when the agreement was made. Upon motion, the above matter was ordered filed.
Mr. Hamlin then submitted, in accordance with the action of the Board at its meeting on January 7th, a proposed reply to letter dated December 29th from the Federal Reserve Agent at San Francisco, with respect to reporting apparent violations of the criminal provisions of law; the proposed letter having been revised by Mr. Hamlin in accordance with discussion at the meeting of the Board on January 7th.

Upon motion, the letter as submitted by Mr. Hamlin was referred to the Governor with power.

Mr. Platt then submitted a letter dated January 9th from the Under Secretary of the Treasury addressed to him and Mr. Miller as a committee of the Board, with respect to the possibility of incorporating on the face of the new Federal Reserve note (reduced size) a reference to the redemption qualities of such notes; the Under Secretary stating that it would be possible to include on the new note the following:

"Authorized by the Federal Reserve Act. Redeemable in gold on demand at the United States Treasury, or in gold or lawful money at any Federal Reserve bank."

The Vice Governor called attention to the fact that the Under Secretary requests an expression of opinion regarding the language proposed in his letter.

Upon motion, the above matter was referred to Vice Governor Platt and Mr. Miller with power.

The Governor then brought up the matter which was referred to him with power at the meeting on December 5th, namely, application for the organization of the United States Foreign Financing Corporation under Section 25 (a) of the Federal Reserve Act. He stated that by his direction
the Board's Chief Examiner on the occasion of a recent visit to New York
secured certain additional information with respect to the organizers of
the proposed corporation and presented a memorandum dated January 7th
from the Chief Examiner setting forth a report thereon. The Governor also
referred to the report made by the Federal Reserve Agent at New York, ex-
pressing the conclusion that the experience and business qualifications
of the organizers are not such as to give reasonable assurance of the suc-
cess of a banking corporation of the type proposed.

The Board’s General Counsel, Mr. Wyatt and Mr. Vest, Assistant
Counsel, were called into the meeting and Mr. Wyatt stated that in his
opinion the Board has a discretion in acting upon the articles of association
and organization certificate of the proposed corporation. He stated that
the proposed corporation does not become a body corporate until the Board
has given its approval to the articles of association and organization
certificate and has issued a certificate of authority to commence business.

After a full discussion, upon motion the following
resolution was adopted:

"WHEREAS, Charles L. Apfel, Stephen B. Gibbons, B. A. Unger,
Joseph Sheldon, Henry Green and Henry M. Susswein have, as organ-
izers, submitted for the approval of the Federal Reserve Board
the articles of association and organization certificate of a
corporation proposed to be organized under the provisions of
Section 25 (a) of the Federal Reserve Act under the name of
'United States Foreign Financing Corporation';

"WHEREAS, the Board has been advised by its General Counsel
that, under Section 25 (a) of the Federal Reserve Act, it has
authority, in its discretion, to approve or disapprove the
articles of association and organization certificate of a pro-
posed corporation to be organized thereunder and to issue or
refuse to issue a permit for such proposed corporation to be-
gin business;
"WHEREAS, the Board has been advised by its General Counsel that, if in the judgment of the Federal Reserve Board it would not be in the public interest to permit such a proposed corporation to be organized and to engage in business, it is the duty of the Federal Reserve Board not to approve the articles of association and organization certificate of such proposed corporation and not to issue a permit to commence business;

"WHEREAS, upon inquiry, the Board has received information from which it appears that the experience and business qualifications of the organizers of the proposed corporation are not such as to give reasonable assurance of success of a corporation of the type proposed;

"WHEREAS, in view of these considerations and in view of other information received by it, the Board is of the opinion that it would not be in the public interest to approve the proposed articles of association and organization certificate of the said proposed 'United States Foreign Financing Corporation';

"NOW, THEREFORE, BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, That the articles of association and the organization certificate of the proposed 'United States Foreign Financing Corporation' be not approved;

"BE IT FURTHER RESOLVED, That a permit for such proposed corporation to begin business be not issued."

Upon motion, it was also voted that a letter be addressed to the organizers of the proposed corporation as follows:

"This is to advise you that the Federal Reserve Board after careful consideration has voted not to approve the proposed articles of association and organization certificate of the corporation proposed to be organized under the terms of Section 25 (a) of the Federal Reserve Act under the title of 'United States Foreign Financing Corporation'."

REPORTS OF STANDING COMMITTEES:

Dated, January 9th, Recommending changes in stock at Federal Reserve banks 11th, as set forth in the Auxiliary Minute Book of this date. 12th, Recommendations approved.
REPTS OF STANDING COMMITTEES: (Cont'd)

Dated, January 10th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, January 6th, Recommending approval of the application of Mr. Sam B. Jeffries for permission to serve at the same time as director of the National City Bank, St. Louis, Mo., as director of the Savings Trust Company, St. Louis, Mo. and as director of the Baden Bank, St. Louis, Mo.

Recommendation approved.

Dated, January 10th, Recommending approval of the application of Mr. Sam B. Jeffries for permission to serve at the same time as director of the National City Bank, St. Louis, Mo., as director of the Savings Trust Company, St. Louis, Mo. and as director of the Baden Bank, St. Louis, Mo.

Recommendation approved.

Dated, January 10th, Recommending approval of the application of Mr. Howard B. Tuttle for permission to serve at the same time as director of the Colonial Trust Company, Waterbury, Conn. and as director and officer of the Naugatuck National Bank, Naugatuck, Conn.

Recommendation approved.

Dated, January 10th, Recommending approval of the application of Mr. Howard B. Tuttle for permission to serve at the same time as director of the Colonial Trust Company, Waterbury, Conn. and as director and officer of the Naugatuck National Bank, Naugatuck, Conn.

Recommendation approved.

Dated, January 10th, Recommending approval of the application of Mr. Howard B. Tuttle for permission to serve at the same time as director of the Colonial Trust Company, Waterbury, Conn. and as director and officer of the Naugatuck National Bank, Naugatuck, Conn.

Recommendation approved.

Dated, January 10th, Recommending approval of the application of Mr. Howard B. Tuttle for permission to serve at the same time as director of the Colonial Trust Company, Waterbury, Conn. and as director and officer of the Naugatuck National Bank, Naugatuck, Conn.

Recommendation approved.

Dated, January 10th, Recommending approval of the application of Mr. Howard B. Tuttle for permission to serve at the same time as director of the Colonial Trust Company, Waterbury, Conn. and as director and officer of the Naugatuck National Bank, Naugatuck, Conn.

Recommendation approved.

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Recommendation approved.

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Recommendation approved.
serve at the same time as directors of the First National Bank in Minneapolis, Minn., and as directors of the Minneapolis-Trust Joint Stock Land Bank, Minneapolis, Minn.

Recommendations approved.

Dated, January 11th, Recommending approval of the application of Mr. C. T. Jaffray for permission to serve at the same time as director and officer of the First National Bank in Minneapolis, Minn., as director of the Merchants National Bank, St. Paul, Minn. and as director and officer of the Minneapolis-Trust Joint Stock Land Bank, Minneapolis, Minn.

Recommendation approved.

The meeting adjourned at 1:00 p.m.

Approved:

Secretary.

Governor.