

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, January 18, 1928 at 12:15 p.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 17th were read and approved.

Telegram dated January 18th from the Chairman of the Federal Reserve Bank of St. Louis and telegram dated January 16th from the Secretary of the Federal Reserve Bank of Minneapolis, both advising that their boards of directors at meetings on the dates mentioned made no changes in the banks' existing schedules of rates of discount and purchase, except that the Minneapolis directors approved no rate for purchases of bankers acceptances maturing within from 121 to 180 days.

Without objection, noted with approval.

Letter dated January 16th from the Chairman of the Federal Reserve Bank of Atlanta, advising that at the meeting of the board of directors held on January 13th it was voted that on and after February 1, 1928 the Federal Reserve Bank of Atlanta shall request financial statements of borrowers on all paper offered for discount in amounts of \$1,000 and above, instead of \$2500 and above as is now the practice.

Noted without objection.

Letter dated January 16th from the Secretary of the Open Market Investment Committee, transmitting copy of the minutes of the meeting of the committee held in Washington on January 12th.

1/18/28

-2-

Noted and ordered circulated.

Letter dated January 7th from the Governor of the Federal Reserve Bank of Richmond, transmitting copy of a memorandum prepared for the directors of the Richmond bank in support of a recommendation made by him at the recent meeting of the directors that the rediscount rate of the Federal Reserve Bank of Richmond be advanced.

The above letter and enclosure having been circulated among all members of the Board was noted.

Memorandum from Counsel dated January 10th, submitting draft of reply to letter dated January 5th from the Federal Reserve Agent at San Francisco, inquiring whether there is still in full force and effect the provision of the Board's letter (X-1584) of June 13, 1919 that "Federal Reserve banks may at their discretion, in extreme cases, assess penalties for deficiencies in reserves on the basis of daily deficiencies"; the proposed reply stating that the provision is not now in effect and has not been since January 1, 1923 when it was superseded by the Board's letter of December 8, 1922 (X-3579), which, without exception, required deficiencies in reserve balances of member banks to be computed on the basis of average daily net deposit balances covering weekly and semi-weekly periods. The proposed letter also pointed out that Section IV of Regulation D, Series of 1928, now requires that deficiencies in reserve balances of all member banks shall be computed on the basis of average daily net deposit balances covering semi-weekly, weekly or semi-monthly periods.

Upon motion, the letter prepared by Counsel was approved.

The Secretary then reported that in accordance with the instructions

1/18/28

-3-

given by the Board at its meeting yesterday he advised Mr. Ormsby McHarg, attorney for the organizers of the proposed United States Foreign Financing Corporation that the Board is willing to consider any further information he may wish to submit in writing regarding the business experience and qualifications of the organizers of the proposed corporation. He then presented a letter addressed to the Board by Mr. McHarg following the interview, stating that he has advised the principals in the application of the United States Foreign Financing Corporation that the Board has given them permission to supplement evidence already on file in this case, touching the foreign trade experience of the organizers who signed the proposed articles of association and organization certificate, and that he has also instructed them to be prepared to supply new names provided it is found that there is not ample proof of the fitness of those whose names are already before the Board.

Noted.

Memorandum from the Secretary dated January 18th with respect to an inquiry from the Governor of the Federal Reserve Bank of Richmond as to whether the Board would object to the publishing in his report to stockholding banks of the cost of operation of the various functions of the Richmond bank; the Secretary setting forth, in accordance with informal instructions given him at a meeting a day or two ago, the record with respect to the consideration given by the Board to the question of publishing functional expense figures in connection with the report of the committee of operating men of the Federal Reserve banks which met in Chicago on June 2nd and 3rd, 1927. The Secretary pointed out that although the Board

1/18/28

-4-

approved the report of the committee which expressed the view that it is not advisable to publish data with regard to functional expense reports, the committee in its report stated that the subject is a matter of policy and made no definite recommendation.

After discussion, it was voted to interpose no objection to the use of functional expense figures in the report of the Governor of the Richmond bank referred to.

The Governor then presented the following draft of a letter prepared by Counsel, under his direction, on the subject of the administration of Section IV (b) of Regulation D:

"Section IV (b) of Regulation D, Series of 1928, reads as follows:

'Notice to directors of banks deficient in reserves.-

Whenever it shall appear that a bank is not paying due regard to the maintenance of its reserves, the Federal reserve agent will address a letter to each director of such bank calling attention to the situation and advising him of the requirements of the law and of this regulation regarding the maintenance of reserves and the personal liability of the directors permitting violations of the law.*

This section is purposely phrased in such a way as to admit of some flexibility and to afford the Federal reserve agents an opportunity to exercise a reasonable discretion in its administration. The Board, however, will expect the Federal reserve agents to administer this section of the regulation in such a way as to carry out its purpose, and to address letters to the directors of all member banks which are not paying due regard to the maintenance of their reserves unless there is very good reason for refraining from sending such letters.

Before sending such letters, the Board desires the Federal Reserve Agent to consult the chief national bank examiner of his district, or the State bank supervisor and ascertain whether there is anything in the circumstances surrounding such bank which would render it inadvisable to send such letter. If the chief national bank examiner or the State bank supervisor knows of no good reason why such letters should not be sent, the Federal reserve agent should at once

1/18/28

-5-

"address to each director of the bank in question a letter such as that contemplated by the above provision of the regulation. If the chief national bank examiner or the State bank supervisor, however, is of the opinion that the circumstances are such as to render it inadvisable to write such a letter to the directors thereof, the Federal reserve agent, before sending such letters to the directors of the bank in question shall report the facts to the Federal Reserve Board with his recommendation."

Approved.

The Governor stated that as soon as a copy of the above letter is furnished to the Comptroller of the Currency, the Comptroller will communicate with all Chief National Bank Examiners instructing them to cooperate with the Federal Reserve Agents in the matter referred to.

There ensued a discussion relative to the market situation and the Governor reported that call money this morning was reduced to 3 3/4%. He left the meeting to talk with Deputy Governor Case of the Federal Reserve Bank of New York over the telephone, and upon his return stated that Mr. Case advised him that as agreed no securities had been sold to the market during the last two or three days and that he did not believe anything should be done for the balance of the week, although \$15,000,000 of securities were being sold for the Alien Property Custodian. He further reported that arrangements have been practically completed for the sale of \$25,000,000 of securities out of the System Account for delivery next Monday, and that it is expected \$50,000,000 will have been sold by Wednesday of next week. He stated that in reply to an inquiry Mr. Case advised him that there was no disposition on the part of the Committee to abandon the sale of securities from the System Account,

1/18/28

-6-

but that the question now concerning the Committee related merely to the manner and time of selling.

REPORTS OF STANDING COMMITTEES:

Dated, January 16th, Recommending changes in stock at Federal Reserve
17th, banks as set forth in the Auxiliary Minute Book
18th, of this date.

Recommendations approved.

Dated, January 17th, Recommending action on an application for fiduciary
powers as set forth in the Auxiliary Minute Book
of this date.

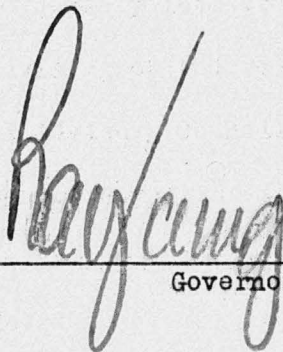
Recommendation approved.

Dated, January 18th, Recommending approval of the application of Mr.
Edwin B. Parker for permission to serve at the
same time as director of the South Texas Commercial
National Bank, Houston, Texas, as director of the
Guardian Trust Company, Houston, Texas and as
director of the Riggs National Bank, Washington,
D. C.

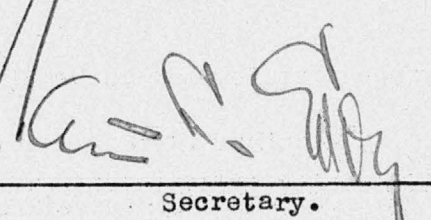
Recommendation approved.

The meeting adjourned at 1:10 p.m.

Approved:



Governor.



Secretary.