

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, February 1, 1928, at 11:15 a.m.

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

The Governor reported a request received from the Chairman of the Banking and Currency Committee of the House of Representatives for information as to salaries paid officers of the Federal Reserve banks and branches. He stated that this information was desired in connection with probable discussion on the floor of the House with respect to the salary limit to be made effective under the pension plan which would be authorized by the Federal Reserve Retirement Bill which has been favorably reported by the Committee. He stated that although Mr. McFadden advised him that the number and amount of salaries paid officers would be sufficient for the discussion, he had requested for his own information a list of the names of the various officers and the salary paid each.

The information desired by Mr. McFadden having been prepared under the Governor's direction, he was authorized to forward it.

The minutes of the meetings of the Federal Reserve Board held on January 26th and 31st were read and approved.

Letter dated January 26th from the Federal Reserve Agent at Boston, inquiring whether the Board would have any objection to his completing arrangements for an absence from the bank of some six or seven weeks beginning about the middle of February.

Noted, without objection.

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The Governor then referred to a letter dated January 5th from the Federal Reserve Agent at Chicago, submitting and requesting comments on draft of a letter prepared by Counsel for that bank to be addressed by the Federal Reserve Agent, in accordance with Section IV (b) of Regulation D, Series of 1928, to directors of banks not paying due regard to the maintenance of their reserves, pointing out the personal liability of the directors in connection with any loss or damage sustained by the bank, its stockholders or its creditors, as a result of its failure to comply with the law relating to the maintenance of reserves. The Governor stated that under his direction Counsel has prepared several drafts of a substitute letter and at his request the Secretary read to the Board the final draft as follows:

"Pursuant to the provisions of Section IV (b) of Regulation D of the Federal Reserve Board, Series of 1928, a copy of which is enclosed for your information, I am writing to direct your attention to the fact that the (Name of Bank), of which you are a director, is not paying due regard to the maintenance of its reserves, having been deficient in its reserves during _____ (date) reserve computation periods between _____ (date) and _____ (date).

"Section 19 of the Federal Reserve Act requires the above mentioned bank to maintain a reserve consisting of an actual net balance with this Federal reserve bank equal to not less than _____% of the aggregate amount of its demand deposits and 3% of its time deposits, and specifically forbids such bank to make any loans or to pay any dividends while its reserves are deficient. Moreover, Section IV of the Federal Reserve Board's Regulation D prescribes penalties for a failure to maintain the reserves required by law and provides for summary action to be taken against any bank which is continuously deficient in its reserves for six consecutive months.

"I am also directed by the Regulations of the Federal Reserve Board to call your attention to the fact that the directors of a bank are required to administer the affairs of such bank in accordance with the laws to which it is subject; and a failure so to administer the affairs of the bank will subject

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the directors to personal liability for any loss or damage sustained by said bank, its stockholders, or its creditors as a result of the failure to comply with the law. If, therefore, the (Name of Bank), its stockholders, or its creditors sustain any loss or suffer any damage through a failure of such bank to maintain its reserves as required by Section 19 of the Federal Reserve Act, or through the making of any loans or the payment of any dividends while its reserves are deficient, you, as one of the directors of said bank, may be held personally liable for such loss or damage."

Upon motion, the above letter was approved as submitted.

The Governor then submitted memoranda addressed to the Executive Committee by the Secretary of the Board and the Chief of the Division of Bank Operations, with reference to the pamphlet entitled "Approved Methods for the Preparation of Balance Sheet Statements" which was published by the Board in April, 1917, in conjunction with the Federal Trade Commission and the American Institute of Accountants, and has been distributed since that time; both the Secretary and the Chief of the Division of Bank Operations recommending that the distribution of the pamphlet be discontinued, as it is in need of revision and it is not believed that the Board is the proper body to bring up to date and reissue a pamphlet regarding the method to be followed in checking up balance sheet statements.

Upon motion, it was voted to approve the recommendation that the distribution of the pamphlet be discontinued.

The Governor then presented a letter dated January 28th from the Director of the Institute of International Finance, an organization conducted by the Investment Bankers Association of America in cooperation

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with New York University, inquiring whether the Board would have any objection to the Executive Committee of the Institute inviting Mr. E. A. Goldenweiser, Director of the Division of Research and Statistics, to become a member of the Advisory Council of the Institute.

Referred to the Governor with power.

Attention was then called to the fact that the action of the Board yesterday, with respect to salaries of the Governors of the Federal Reserve Banks of Philadelphia and San Francisco results in no salary having as yet been approved by the Board for those two officers during 1928 and to the fact that under the new procedure of electing officers at the Federal Reserve banks and fixing their salaries at January meetings of the boards of directors considerable time will naturally elapse between the end of one year and the date of fixing of official salaries for the ensuing year.

Mr. Hamlin moved that the Board rule that salaries approved for officers of Federal Reserve banks for each year remain in effect until salaries for the ensuing year have been fixed by the boards of directors of the Federal Reserve banks with the approval of the Board.

Carried.

REPORTS OF STANDING COMMITTEES:

Dated, February 1st, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

Dated, January 31st, Recommending approval of the application of Mr. George F. Tyler for permission to serve at the same time as director of the Franklin-Fourth Street National Bank, Philadelphia, Pa., and as director of the Jenkintown Bank and Trust Company, Jenkintown, Pa.

Recommendation approved.

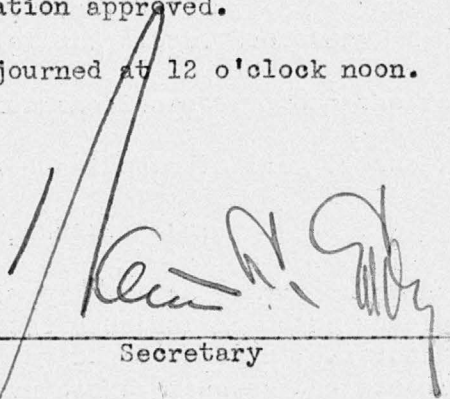
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REPORTS OF STANDING COMMITTEES (Cont'd):

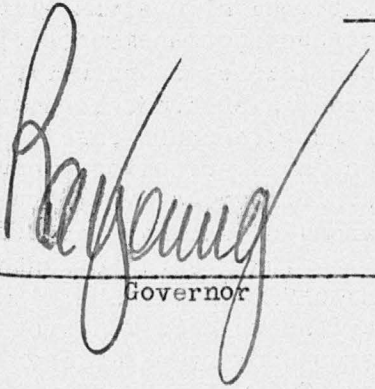
Dated, January 31st, Recommending approval of the application of Mr. Harry C. Carr for permission to serve at the same time as officer of the Bank of Italy National Trust and Savings Association, San Francisco, Calif., as director of the First National Bank, Ducor, Calif., and as director of the First National Bank, Porterville, Calif.

Recommendation approved.

The meeting adjourned at 12 o'clock noon.


Secretary

Approved:


Governor