

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, February 2, 1928 at 3:00 p.m.

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

At the request of the Governor the Secretary read the following revised resolutions submitted by Mr. Cunningham in lieu of the resolution submitted by him at the meeting on January 26th:

"BE IT RESOLVED that the Federal Reserve Board, in order to be fully advised in regard to the use that is being made of credit accommodations obtained by banks through rediscounting and borrowing at Federal Reserve banks, request the executive officers of the Federal Reserve banks to make an examination of the loan, discount, and investment portfolios of all member banks borrowing from the Federal Reserve banks at the time said banks are carrying investments in so-called brokers' loans and making advances to banks, which, in turn, are carrying investments of that kind.

BE IT FURTHER RESOLVED that a copy of said report of examination together with an analysis thereof, be forwarded to the Federal Reserve Board when completed.

BE IT FURTHER RESOLVED that should said report and analysis thereof indicate that irregularities in the use of Federal Reserve credit have occurred the Federal Reserve Board, before taking definite action thereon, will submit said report to the Federal Advisory Council, requesting an expression of its opinion as to the propriety, under the provisions of the Federal Reserve Act, of member banks investing credit obtained through the Federal Reserve Banks, either directly or indirectly, in call loans."

Mr. Cunningham moved adoption of the revised resolutions.

Discussion of the resolutions then ensued during which it was suggested that it might be more advisable to obtain the information referred to in the resolutions from member banks in New York City through the Federal Reserve Bank of New York rather than through the various Federal

2/2/28

-2-

Reserve banks from the member banks in the respective Districts. It was pointed out that practically all of the loans made to brokers and dealers in New York on the security of stocks and bonds are made through member banks in New York City.

Mr. Cunningham stated that he would not care to revise his resolutions.

The Governor then expressed the opinion that it would be advisable to consult with the Board's Chief Examiner and the Chief of the Division of Bank Operations who might be able to suggest some other method of obtaining the information desired.

Following the discussion, Mr. Platt moved as a substitute for Mr. Cunningham's motion to adopt the resolutions quoted above that the proposed resolutions be referred to the Governor with power to work out and report to the Board the most suitable plan for obtaining the information desired.

Mr. Platt's substitute motion was carried, Messrs. Cunningham and Miller voting "no".

The Governor then announced receipt of telephone advice from the Deputy Governor of the Federal Reserve Bank of New York that the board of directors of the bank at its meeting today voted to establish a rediscount rate of 4% on all classes of paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board.

Governor Young moved that the Board approve the rediscount rate of 4% established by the directors of the New York bank, such rate to be effective at opening of business tomorrow, February 3rd.

Governor Young's motion being put by the Chair was carried, Mr. Cunningham not voting.

Mr. Cunningham stated that members of the Board are all familiar with his position with regard to increasing Federal Reserve bank rates at this time.

2/2/28

-3-

Mr. Platt stated that although he voted in favor of the rate established by the New York directors he did so reluctantly, believing that rates should first be advanced at some of the other interior banks.

At this point, the Secretary of the Treasury left the meeting and the Governor took the Chair.

He reported that the Acting Chairman of the Open Market Investment Committee today advised him that there has been some improvement in the demand for government securities, and that accordingly the Open Market Investment Committee sold \$10,000,000 of securities from the System Account for delivery yesterday and contracted for the sale of \$5,000,000 more for delivery today. The Governor stated that this brings the total of the holdings in the special investment account down to about \$285,000,000.

The Governor then presented memorandum dated January 31st from the Board's Counsel, submitting draft of reply to a communication dated January 27th from Mr. Ormsby McHarg, requesting, on behalf of the organizers of the proposed United States Foreign Financing Corporation, permission to withdraw the articles of association and organization certificate heretofore filed, in order to enable the substitution of other articles of association and organization certificate identical in form with the documents asked to be withdrawn, to include in the substituted documents the names of organizers in addition to those appearing in the papers originally filed and to accompany the substituted documents with detailed information covering the experience in foreign trade of the signers of the substituted articles of association and organization certificate; the proposed reply stating that the Board will be unable to return the articles of association and organization certificate originally filed as they now constitute a part of the Board's records, but that they will,

2/2/28

-4-

however, be regarded as having been superseded by the substituted articles of association and organization certificate, upon which will be based future consideration of the case.

Upon motion, the reply submitted by Counsel was approved.

Report of Executive Committee on letter dated January 31st from the Acting Comptroller of the Currency, recommending approval of a salary of \$3,000 per annum for National Bank Examiner Joseph H. Siebert, assigned to the Third Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Report of Committee on Examinations on letter dated January 28th from the Federal Reserve Agent at San Francisco, reporting that on January 13th, without applying for and receiving permission of the Federal Reserve Board, the Cache Valley Banking Company, a member bank, took over the business of the Farmers Banking Company of Cache Junction, Utah; the Agent recommending approval and stating that it would appear from the information received that the taking over of the Farmers Banking Company by the Cache Valley Banking Company did not materially affect the general character of the latter's condition or broaden its functions.

The recommendation of the Federal Reserve Agent being concurred in by the Board's Committee was approved.

Telegram dated February 1st from the Chairman of the Federal Reserve Bank at Philadelphia, advising that the board of directors at a meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

2/2/28

-5-

Telegrams dated February 1st from the Chairmen of the Federal Reserve Banks of Boston and St. Louis, advising that their boards of directors at meetings on that date made no change in the banks' existing schedules of rates of discount and purchase, including the following revised rates for purchasers of bankers acceptances:

45 days	-	3 1/8%
46 to 90 days	-	3 3/8%
91 to 120 days	-	3 1/2%

Without objection, noted with approval.

Report of Committee on Salaries and Expenditures on letter dated January 30th from the Federal Reserve Agent at St. Louis, requesting approval of the action of the Executive Committee of that bank in voting to extend for a period of thirty days, from January 23rd, 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.

The Secretary then presented a memorandum dated February 1st, advising that it has just been reported to the Board that the American Trust Company of San Francisco on November 15, 1926 established a branch in London, England.

Noted.

Letter dated January 31st from the Federal Reserve Agent at Boston, advising that the directors of the Fidelity Trust Company of Portland, Me., a member bank, have authorized the purchase of the Westbrook Trust Company and that it will be run as a separate corporation, the investment being carried in the security account of the Fidelity Trust Company; the Agent stating that under the laws of the state of Maine the Fidelity Trust Company

2/2/28

-6-

has the right to invest in bank stocks, and it would not appear to him that the investment of \$200,000 or \$300,000 involved in this purchase is an excessive investment, and further, that under the circumstances, unless the Board instructs him otherwise, he will not communicate with the Fidelity Trust Company, but will wait and have his examiners discuss the situation when they make their next examination of the bank.

In acknowledging the above letter the Secretary was authorized to advise the Federal Reserve Agent at Boston that the Board has requested an opinion of the Attorney General of the United States relative to the right of a state bank, while a member of the Federal Reserve System, to own and operate another bank in another city and that upon receipt of the opinion of the Attorney General, it will communicate with him further with reference to the action of the Fidelity Trust Company of Portland.

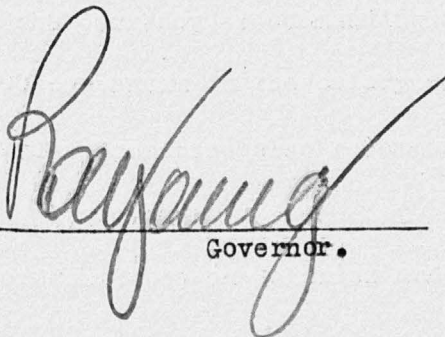
The reading of the minutes of the meeting of the Federal Reserve Board held on February 1st was dispensed with.

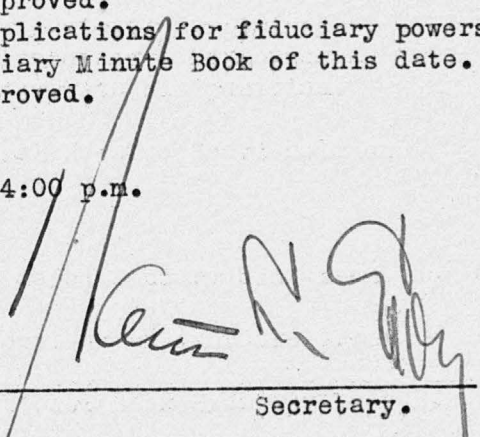
REPORTS OF STANDING COMMITTEES:

- Dated, February 1st, Recommending changes in stock at Federal Reserve Banks  
2nd, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, February 1st, Recommending action on applications for fiduciary powers  
as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.

The meeting adjourned at 4:00 p.m.

Approved:

  
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Governor.

  
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Secretary.