

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, February 27, 1928 at 11:15 a.m.

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

Mr. Hamlin referred to Senate Resolution #152 introduced by Senator Mayfield of Texas and adopted by the Senate on February 24th, under the terms of which the Committee on Banking and Currency of the Senate or a duly authorized Sub-committee thereof is authorized and directed to make a full and complete investigation of the administration of the affairs of the Federal Reserve Bank of Dallas and to report thereon to the Senate as soon as practicable. He referred to the record which has been furnished the Board of the hearings held by the board of directors of the Dallas bank concerning complaints made against the administration of the institution, which, he stated, is so voluminous as to make it difficult to follow up related testimony. He submitted draft of a letter to the Federal Reserve Agent at Dallas, requesting that he have counsel for the Federal Reserve bank prepare a digest of the record, consisting of an analysis of the various charges and allegations with a table showing the pages of the record where evidence was submitted both to support and refute each charge.

Upon motion, the letter submitted by Mr. Hamlin was approved and ordered transmitted.

The minutes of the meetings of the Federal Reserve Board held on February 14th, 18th and 20th were read and approved.

The minutes of the meeting of the Executive Committee of the Federal

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Reserve Board held on February 21st were read and upon motion the actions recorded therein were ratified.

Report of Law Committee on Clayton Act application of Mr. Robert L. Romy, Sr., involving the First Joint Stock Land Bank and the Tri-State Loan and Trust Company, both of Fort Wayne, Indiana; the Committee concurring in a recommendation of Counsel that action on the application be deferred since both institutions are nonmember banks and the Board has no power to grant the application, which power would, however, be vested in the Board upon enactment of the amendment to the Clayton Act recommended by the Board.

Upon motion, it was voted to defer action on the above application until such time as it can be determined whether or not the amendment in question will be passed at the present session of Congress.

Letter dated February 23rd from the Secretary of the Federal Reserve Bank of New York and telegram dated February 23rd from the Chairman of the Federal Reserve Bank of Kansas City, both advising that the boards of directors at meetings on that date made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Telegram dated February 24th from the Chairman of the Federal Reserve Bank of Chicago, advising that no meeting of the board of directors was held on that date due to lack of a quorum, but that the Executive Committee voted to make no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

Letter dated February 21st from the Secretary of the Federal Reserve Bank of Atlanta, advising that the Executive Committee on that date voted

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to establish a rate of 4% for purchases of government securities with agreement to resell.

Without objection, noted with approval.

Report of Committee on Salaries and Expenditures on letter dated February 16th from the Chairman of the Federal Reserve Bank of San Francisco, requesting approval of the action of the board of directors of that bank in voting to extend for a period of six months from March 1st, with half pay, leave of absence on account of illness previously granted Mr. Wilbur P. Pexton, an employee of the Salt Lake City Branch; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Executive Committee on letter dated February 17th from the Federal Reserve Agent at Chicago, recommending approval of an application of the Midland National Bank of Chicago, an outlying institution, for a reduction in its reserve requirements from 13% to 10% of demand deposits and advising also of the receipt of applications for reductions in reserves on demand deposits from the Ogden National Bank of Chicago (from 10% to 7%) and the Addison National Bank of Chicago (from 13% to 10%) on which he is not yet prepared to recommend approval by the Board; the Board's Committee also recommending approval of the application of the Midland National Bank.

Upon motion, it was voted to authorize the Midland National Bank of Chicago to carry reserves of 10% against demand deposits, but not to approve at this time the applications of the Ogden National Bank and Addison National Bank for reductions in their reserve requirements to 7% and 10% of demand deposits, respectively.

Memorandum from the Secretary, dated February 23rd, submitting the following changes in the time schedule of the Federal Reserve Bank of Kansas City and advising that the proposed changes have been approved by the other Federal

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banks concerned:

Kansas City to Memphis	- From two days to one day
Kansas City to Atlanta	- From three days to two days
Kansas City to New Orleans	- From three days to two days
Kansas City to San Francisco	- From four days to three days
Kansas City to Los Angeles	- From four days to three days
Kansas City to Portland	- From four days to three days
Kansas City to Spokane	- From four days to three days
Denver to Helena	- From three days to two days
Denver to Los Angeles	- From four days to three days
Denver to Portland	- From four days to three days
Denver to San Francisco	- From four days to three days
Oklahoma City to New Orleans	- From three days to two days
Oklahoma City to Los Angeles	- From four days to three days
Omaha to Jacksonville	- From four days to three days
Omaha to Portland	- From four days to three days
Omaha to Seattle	- From four days to three days

Upon motion, the changes proposed by the Federal Reserve Bank of Kansas City were approved.

Report of Executive Committee on memorandum dated February 21st from the Acting Comptroller of the Currency, recommending approval of an application of the Worcester County National Bank of Worcester, Massachusetts, for permission to reduce its capital from \$1,875,000 to \$937,500 and to reduce the par value of its stock from \$100 to \$50 be approved on condition: (1) That no money be returned to the shareholders but that the amount set free by the reduction be carried to surplus and undivided profits; (2) That the capital stock be immediately increased from \$937,500 to \$1,125,000, by the sale at \$175 per share of 3,750 shares of stock of a par value of \$50; and (3) that a stock dividend of \$375,000 be declared thus increasing the capital to \$1,500,000 and providing a surplus of an equal amount.

Upon recommendation of the Executive Committee, it was voted to approve the reduction in capital proposed upon condition that the capital be immediately increased in accordance with the plan suggested by the Acting Comptroller.

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Letter dated February 24th from the Chairman of the Federal Reserve Bank of Chicago, referring to the vacancy on the directorate of the Detroit Branch caused by the recent death of Mr. John W. Staley; the Chairman advising that at the request of Mr. Julius Haass, who has just been elected President of the Peoples Wayne County Bank of Detroit to succeed Mr. Staley and who is the choice of the Federal Reserve Bank of Chicago for appointment to the Detroit directorate, the vacancy will be permitted to remain unfilled until the next regular meeting of the directors of the Chicago bank.

Noted.

Letter dated February 23rd from the Deputy Governor of the Federal Reserve Bank of Kansas City, advising that because of ill health the Governor of the bank left on February 22nd for an absence until about the first of April, under an authorization made by the board of directors of the bank at their last meeting.

Noted.

At this point, Mr. McIntosh joined the meeting.

Letter dated February 18th from the Federal Reserve Agent at Chicago, advising that under authority granted by the Executive Committee of the bank at a meeting on February 17th the officers have decided, subject to the approval of the Board, to discontinue from and after March 1, 1928 the enforcement of a progressive penalty for deficient reserves.

Noted without objection.

Letter dated February 16th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the acceptance of the resignation of Mr.

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Howard Whipple, Class A Director, elected by the member banks of Group III for a term of three years, ending December 31, 1930; the resignation being submitted because of the fact that the First National Bank of Turlock, Cal., of which Mr. Whipple was President at the time of his election to the Federal Reserve bank directorate, has since been taken over by the Security Bank and Trust Company, a non-member bank, with which Mr. Whipple has become associated; the Chairman stating that another Class A director of the bank, elected by member banks in Group II, namely, Mr. Thomas H. Ramsay, President of the First National Bank of Red Bluff, Cal., may soon be placed in the same position, as his institution has recently been acquired by the same interests that acquired Mr. Whipple's bank. In his letter, the Chairman also stated that if there are soon to be two vacancies on the board of directors of the San Francisco bank, it would seem desirable to fill them at one special election.

Upon motion, it was voted to interpose no objection to the postponement of the election of a successor to Mr. Whipple until it is determined whether or not Mr. Ramsay will also resign from the San Francisco directorate.

After discussion of a reference made in the Chairman's letter to the desirability of changing the classifications of banks as now grouped for elections of directors, it was voted to request the Secretary of the Board and the Chief of the Division of Bank Operations to work out and report to the Board a basis for reclassification of the electoral groups in all Federal Reserve districts.

Report of Committees on Research and Statistics and on Salaries and Expenditures dated February 20th, recommending approval of budgets submitted

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by the various Federal Reserve Agents for the operation of their statistical and analytical functions during the calendar year 1928, as follows:

Boston	-	\$42,531
New York	-	114,608
Philadelphia	-	44,770
Cleveland	-	37,790
Richmond	-	14,117
Atlanta	-	10,723
Chicago	-	63,063
St. Louis	-	17,898
Minneapolis	-	18,070
Kansas City	-	22,146
Dallas	-	18,220
San Francisco	-	52,148

Upon motion, it was voted to approve the budgets submitted and also to adopt a recommendation contained in the Committee's report that the letters of advice to the Federal Reserve Agents at Kansas City and San Francisco contain a statement to the effect that the budgets should not be exceeded without the prior approval of the Board, inasmuch as the budgets approved for the year 1927 were exceeded at those two points.

Memorandum from Counsel dated January 7th, submitting for inclusion in the Annual Report, in accordance with instructions given by the Board at its meeting on December 14, 1927, two alternative forms of an amendment to the provision of Section 9 of the Federal Reserve Act that the expenses of all examinations of state member banks shall be assessed against and paid by the banks examined; Counsel in his memorandum setting forth various other amendments to the Federal Reserve Act which have been under consideration by the Board and inquiring whether the Board also wishes to recommend these amendments in its report.

After discussion, it was voted to defer decision regarding the inclusion of the suggested amendments in the Annual Report until such time as Counsel can furnish the Board with a draft of each amendment referred to in his memorandum.

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During the discussion of the above subject the Secretary read a memorandum from the Comptroller of the Currency, expressing the opinion that no legislation should be recommended to Congress at the present time, but requesting if it is determined to make recommendations that the Board suggest an amendment to Section 21 of the Federal Reserve Act to provide that the salaries of National Bank Examiners shall be fixed by the Comptroller of the Currency in lieu of the present provision under which such salaries are fixed by the Federal Reserve Board upon recommendation of the Comptroller.

At this point, Mr. McIntosh left the room.

The Secretary then presented a letter dated February 16th from the Federal Reserve Agent at New York, submitting in accordance with the request made by the Board at its meeting on February 3rd, report of a supplemental investigation covering certain additional names included in the substitute organization certificate and articles of association of the proposed United States Foreign Financing Corporation; the Federal Reserve Agent advising that in his opinion the addition of the names in question to the proposed enterprise does not sufficiently improve the prospects for the successful operation of the corporation as to warrant the Board granting a preliminary permit to begin business.

Upon motion, the report of the Federal Reserve Agent was ordered circulated and brought up for consideration by the Board during the next two or three days.

In accordance with the instructions of the Executive Committee at its meeting on February 21st, the Secretary submitted drafts of letters to the Federal Reserve Agents at Cleveland and Chicago, requesting that the Board be furnished with a firm recommendation of their respective boards of directors as to whether authority previously granted by the Board to carry reduced reserves should be continued in the cases of the Highland National Bank, the Pennsylvania National Bank and the Second National Bank of Allegheny,

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all of Pittsburgh, Pa., and the Northwestern Trust and Savings Bank and Calumet National Bank, both of Chicago.

Upon motion, the letters submitted by the Secretary were approved.

Upon motion, it was also voted to approve the recommendation made to the Board by the Executive Committee at its meeting on February 21st that no action be taken to revoke authority granted to carry reduced reserves in the cases of banks other than those referred to above.

The Governor then reported that the question of a change in the rediscount rate of the Federal Reserve Bank of Cleveland has been referred to the Executive Committee of that bank with power and although it was expected the rate would be increased to 4% at a meeting of the Committee held several days ago, such action was not taken. In explanation, the Governor stated that although the rediscounts of the Cleveland bank have increased somewhat, the increase has been due principally to accommodations extended to two or three member banks.

The Governor also reported that the directors of the Federal Reserve Bank of New York at their meeting last Thursday discussed the open market situation and reached the conclusion that no further sales of securities from the special investment account should be made at this time. He stated that he advised the Chairman of the Federal Reserve Bank of New York during the course of a personal conversation that this opinion is shared by all members of the Board.

He also stated for the confidential information of the Board that the Bank of France is arranging to make heavy withdrawals of gold, both from New York and London, and that in all probability the Bank's imports will exceed the amount of gold held earmarked at those two points.

At this point, the Director of the Board's Division of Research and Statistics entered the room and reviewed with the members of the Board the first draft of the Annual Report for the year 1927, copies of which have been

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in the hands of the various members for a week or ten days. The draft was considered page by page and numerous minor amendments were suggested.

At the conclusion of the discussion, the Director was authorized to send the amended draft of the report to the printer for galley proof.

The Governor then submitted draft of a letter to the Secretary of State advising of the action taken by the Board at its meeting on February 14th in voting to accept an invitation extended by the Director of the Economic and Financial Section of the League of Nations to have a representative of the Board attend an informal conference to be held in Paris, France during April 1928 of representatives of the statistical departments of various central banking institutions; the letter inquiring whether the State Department would counsel against the Federal Reserve Board or any other governmental department having a representative at the proposed conference.

Upon motion, the letter was approved as submitted.

REPORTS OF STANDING COMMITTEES:

- Dated, February 23rd, 25th, 27th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, February 23rd, 25th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, February 21st, Recommending approval of the application of Mr. Henry J. Siewert for permission to serve at the same time as director of the Albany Park National Bank and Trust Company, Chicago, Ill. and as director of the Portage Park National Bank, Chicago, Ill.
Recommendation approved.
- Dated, February 21st, Recommending approval of the application of Mr. Gaylard M. Leslie for permission to serve at the same time as director of the First Joint Stock Land Bank, Fort Wayne, Ind. as director of the Tri-State Loan and Trust Company, Fort Wayne, Ind. and as director of the Old National Bank, Fort Wayne, Ind.
Recommendation approved.

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REPORTS OF STANDING COMMITTEES:(Cont'd)

Dated, February 21st, Recommending approval of the application of Mr. Willis Hattersley for permission to serve at the same time as director and officer of the First Joint Stock Land Bank, Fort Wayne, Ind., as director of the Tri-State Loan and Trust Company, Fort Wayne, Ind. and as director of the Old National Bank, Fort Wayne, Ind.

Recommendation approved.

Dated, February 21st, Recommending approval of the application of Mr. William E. Mossman for permission to serve at the same time as director and officer of the First Joint Stock Land Bank, Fort Wayne, Ind., as director of the Tri-State Loan and Trust Company, Fort Wayne, Ind. and as director of the Old National Bank, Fort Wayne, Ind.

Recommendation approved.

Dated, February 21st, Recommending approval of the application of Mr. Henry C. Paul for permission to serve at the same time as director of the First Joint Stock Land Bank, Fort Wayne, Ind., as officer of the Old National Bank, Fort Wayne, Ind., and as director of the Tri-State Loan and Trust Company, Fort Wayne, Ind.

Recommendation approved.

Dated, February 23rd, Recommending approval of the application of Mr. William C. Rastetter for permission to serve at the same time as director of the First Joint Stock Land Bank, Fort Wayne, Ind., as director of the First National Bank, Fort Wayne, Ind. and as director of the Tri-State Loan and Trust Company, Fort Wayne, Ind.

Recommendation approved.

Dated, February 23rd, Recommending approval of the application of Mr. William J. Vesey for permission to serve at the same time as director of the First Joint Stock Land Bank, Fort Wayne, Ind., as director of the First National Bank, Fort Wayne, Ind., and as director of the Tri-State Loan and Trust Company, Fort Wayne, Ind.

Recommendation approved.

Dated, February 23rd, Recommending approval of the application of Mr. Charles A. Wilding for permission to serve at the same time as director and officer of the First Joint Stock Land Bank, Fort Wayne, Ind., as director of the First National Bank, Fort Wayne, Ind., and as director and officer of the Tri-State Loan and Trust Company, Fort Wayne, Ind.

Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, February 23rd, Recommending approval of the application of Mr. Charles E. Bascom for permission to serve at the same time as director of the First National Bank in St. Louis, St. Louis, Mo. and as director of the St. Louis Union Trust Company, St. Louis, Mo.

Recommendation approved.

Dated, February 23rd, Recommending approval of the application of Mr. Samuel C. Davis for permission to serve at the same time as director of the First National Bank in St. Louis, St. Louis, Mo. and as director of the St. Louis Union Trust Company, St. Louis, Mo.

Recommendation approved.

Dated, February 23rd, Recommending approval of the application of Mr. Walter W. Smith for permission to serve at the same time as officer and director of the First National Bank in St. Louis, St. Louis, Mo., and as director of the St. Louis Union Trust Company, St. Louis, Mo.

Recommendation approved.

Dated, February 23rd, Recommending approval of the application of Mr. Thomas P. Hinman for permission to serve at the same time as director of the Fourth National Bank, Atlanta, Ga. and as director of the Atlanta Joint Stock Land Bank, Atlanta, Ga.

Recommendation approved.

Dated, February 23rd, Recommending approval of the application of Mr. E. D. Stair for permission to serve at the same time as director of the First National Bank, Detroit, Mich., as director of the Detroit Trust Company, Detroit, Mich. and as director of the Detroit Savings Bank, Detroit, Mich.

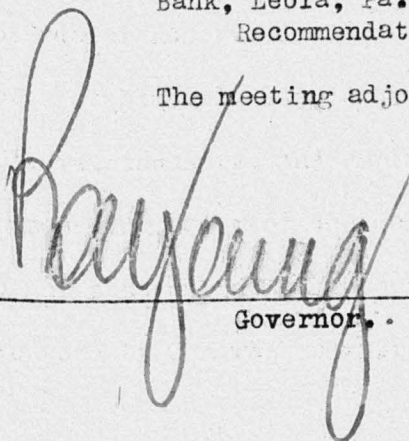
Recommendation approved.

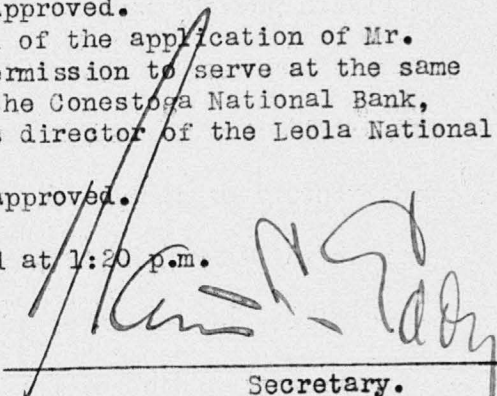
Dated, February 23rd, Recommending approval of the application of Mr. H. M. Stauffer for permission to serve at the same time as director of the Conestoga National Bank, Lancaster, Pa. and as director of the Leola National Bank, Leola, Pa.

Recommendation approved.

The meeting adjourned at 1:20 p.m.

Approved:


Governor.


Secretary.