

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, March 5, 1928, at 2:45 p.m.

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

PRESENT ALSO: Mr. Wyatt, General Counsel.

Report of Committee on Salaries and Expenditures on letter dated March 2nd from the Chairman of the Federal Reserve Bank of Chicago, requesting that the Executive Committee of that bank be permitted to exercise its discretion with reference to keeping upon the payroll of the bank for the balance of the year Mr. Frank Noveck, an employee who is absent from his duties because of a serious illness; the Board's Committee recommending approval of the request.

Approved.

Memorandum from Counsel dated March 2nd with reference to the Clayton Act application of Mr. Bradford H. Walker, involving the First and Merchants National Bank and the Virginia Trust Company, both of Richmond, Va.; Counsel stating that the banks involved in Mr. Walker's application appear to be in substantial competition and that the Board is not authorized to approve his application, although it would be under the amendment to the Clayton Act now pending in Congress. Accordingly, he recommended that action on the application be withheld until it is determined whether the proposed amendment will be enacted into law at this session of Congress.

3/5/28

-2-

Counsel's recommendation, being concurred in by the Law Committee, was approved.

Memorandum dated March 3rd from the Director of the Division of Research and Statistics, recommending that the set of charts on "bank credit, money rates and business activity", which is now used by members of the Board and its staff in the form of a desk folder, be printed and made available for general distribution, the printed set to include only material that is made public in the Federal Reserve Bulletin. He estimated that 1,000 copies of the set will cost between \$150 and \$200 and stated it is proposed to give copies of the pamphlet to members of the statistical conference which is to meet in Paris on April 11, 1928.

Upon motion, the printing of 1,000 sets of the charts referred to was authorized.

The Governor then presented an application for membership in the Federal Reserve System and for 15 shares of stock in the Federal Reserve Bank of Dallas by the First State Bank, Wolfe City, Texas, a reorganization of the First State Bank of Wolfe City, whose membership in the Federal Reserve System was automatically terminated on December 27, 1927, by the sale of its assets to the new corporation. The Governor stated that Mr. Platt and Mr. Cunningham, members of the Board's Committee on Examinations, had submitted separate recommendations, Mr. Platt being inclined to approve the application, and Mr. Cunningham to defer action until such time as the institution can clean up certain assets taken over from the old bank.

The Governor stated that he believed the application should be approved, and, following a discussion, his recommendation was concurred in by all members of the Executive

3/5/28

-3-

Committee, and the application was approved subject to the regular conditions of membership contained in the Board's Regulation H, Series of 1928, and to the following special condition:

"You shall agree not to pay any dividend until you have a surplus of \$1,250, and that thereafter, prior to the payment of a dividend, you shall carry to surplus account not less than one-tenth part of your net profits for the preceding dividend period until your surplus fund shall amount to fifty per cent of your capital stock."

Memorandum from Counsel, dated February 25th, submitting correspondence with the First Federal Foreign Investment Trust of New York City on the question whether the corporation was acting in accordance with the law and the Board's regulations in acquiring and holding stock of the National Zinc Company, acquired as a bonus in connection with the purchase of notes of that company; Counsel stating that although the acquisition of the stock by the First Federal Foreign Investment Trust was not in his opinion technically in accordance with the law and the regulations, the corporation was apparently acting in good faith in the acquisition of the stock, and as a practical matter, it is doubtful that any harm can result from the holding of the stock in this particular case.

After discussion, the above memorandum was noted.

Memorandum from Counsel, prepared at the request of Mr. Hamlin, submitting draft of a letter to the Chairman of the Committee on Banking and Currency of the Senate, suggesting that the pending bill, H.R. 6491, to amend the Kern Amendment to the Clayton Act, be amended by the Senate Committee through the addition thereto of a provision expressly exempting



3/5/28

-4-

Joint Stock Land banks from the provisions of the Clayton Act.

After discussion, it was the consensus of opinion that it would be inadvisable to attempt to secure the amendment to H.R. 6491 at this time, and accordingly, it was voted that the proposed letter to the Chairman of the Senate Committee be laid on the table.

The Governor then presented a memorandum dated February 28th from Counsel, submitting, in accordance with the request made by the Board at its meeting on February 27th, drafts of bills to effect the various proposed amendments to the Federal Reserve Act and other statutes referred to in his memorandum to the Board of January 7th. The Governor suggested that the Executive Committee consider the proposed bills separately and make recommendations to the Board with respect to suggesting the amendments in the Board's forthcoming Annual Report. The proposed amendments were then acted upon as follows:

1. An amendment to the first paragraph of Section 19, more clearly defining demand deposits, time deposits, savings deposits, etc., and making it more difficult to evade the proper classification of deposits for the purpose of computing reserves.

Upon motion, it was voted to recommend to the Board that this amendment be not suggested in the Annual Report.

2. An amendment to Section 19, authorizing member banks, in computing their reserves, to deduct "balances due from banks" from gross demand deposits instead of from "balances due to other banks" as at present.

Upon motion, it was voted to recommend to the Board that this amendment be not suggested in the Annual Report.

3. A complete revision of Section 19, adjusting, clarifying and simplifying the reserve requirements in accordance with a plan suggested by the Chief of the Division of Bank Operations in

3/5/28

-5-

a memorandum addressed to the Board under date of June 27, 1927.

Upon motion, it was voted to recommend to the Board that this amendment be not suggested in the Annual Report.

4. A proposed amendment to Section 13 eliminating the word "agricultural" from the provision authorizing the discount of sight and demand drafts secured by bills of lading in order to eliminate the difficulty in determining what is, or what is not, a "non-perishable, readily marketable, staple agricultural product."

A bill for this purpose, S. 1989, having already been passed by the Senate and being now in the hands of the House Committee on Banking and Currency, it was voted to recommend to the Board that the amendment in question be suggested in the Annual Report, if the bill now pending has not passed the House at the time the Board's report is filed.

5. An amendment restoring the jurisdiction of the United States District Courts over suits brought by or against Federal Reserve banks, Federal Land banks and Joint Stock Land banks.

Upon motion, it was voted to recommend to the Board that this amendment be suggested in the Annual Report.

6. An amendment to Section 4 exempting the Federal Reserve banks from attachment or garnishment proceedings in the same manner as national banks are now exempted.

Upon motion, it was voted to recommend to the Board that this amendment be suggested in the Annual Report.

7. An amendment to Section 13 increasing the maximum maturity of advances by Federal Reserve banks to member banks on their promissory notes from 15 to 90 days when such notes are secured by paper eligible for rediscount or purchase by Federal Reserve banks.

After discussion, it was determined to pass over the above amendment, without recommendation, for consideration at a meeting of the Board.

3/5/28

-6-

8. An amendment to Section 8 of the Clayton Act, designed to give the Board more latitude in the matter of granting permits for interlocking bank directorates.

A bill for this purpose, H.R. 6491, having already passed the House of Representatives at this session and having been favorably reported by the Senate Committee on Banking and Currency, upon motion, it was voted to recommend to the Board that the amendment be suggested in the Annual Report if the bill now pending has not passed the Senate at the time the Board's report is filed.

9. An amendment to Section 4 to permit an officer, director or employee of a mutual savings bank to serve as a Class B or Class C Director of a Federal Reserve bank.

Upon motion, it was voted to recommend to the Board that this amendment be suggested in the Annual Report.

10. An amendment to Section 9, as amended by the McFadden Act, permitting state member banks to have foreign branches.

Upon motion, it was voted to recommend to the Board that this amendment be suggested in the Annual Report.

11. Amendments to Sections 6 and 9 permitting the cancellation and surrender of Federal Reserve bank stock held by member banks which go out of the banking business or cease to function without any receiver or liquidating agent being appointed therefor.

Upon motion, it was voted to recommend to the Board that this amendment be suggested in the Annual Report.

12. An amendment to Section 21, suggested by the Comptroller of the Currency, to provide that the salaries of national bank examiners shall be fixed by the Comptroller of the Currency, instead of the Board.

The Governor reported that he has discussed this matter with the Comptroller of the Currency, who has agreed to the omission of this amendment from the recommendations to be included in the Annual Report.



3/5/28

-7-

Counsel then referred to the two forms of bills submitted with his memorandum of January 7th, one of which would effect an amendment to Section 9 of the Federal Reserve Act which would make optional with the Federal Reserve Board the assessment against State member banks of the costs of examinations made by the Board or the Federal Reserve banks, and the other, in addition, (1) would give to the Board, instead of the directors of the Federal Reserve banks, power to approve examinations made by State authorities; (2) would authorize the Board to furnish copies of reports of examinations of State member banks to State supervisors, to the banks examined, to receivers of such banks, and to any other proper persons; (3) would amend Section 21 so as to eliminate therefrom certain obsolete language relating to the examination of State member banks by the Comptroller of the Currency, and (4) would amend Section 21 so as to make it optional with the Board whether expenses of special examinations of national banks or state member banks made by Federal Reserve banks under the authority of Section 21 should be assessed against the banks examined.

After discussion, it was voted to recommend inclusion in the Annual Report of a revised form of bill which would amend Sections 9 and 21 so as to make the assessment of charges for examinations optional and also amend Section 9 so as to permit the Board to furnish copies of reports of examinations in the manner above referred to.

REPORTS OF STANDING COMMITTEES:

- Dated, March 3rd, Recommending changes in stock at Federal Reserve Banks  
5th, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, March 2nd, Recommending action on an application for fiduciary powers  
as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.

3/5/28

-8-

REPORTS OF STANDING COMMITTEES (Cont'd):

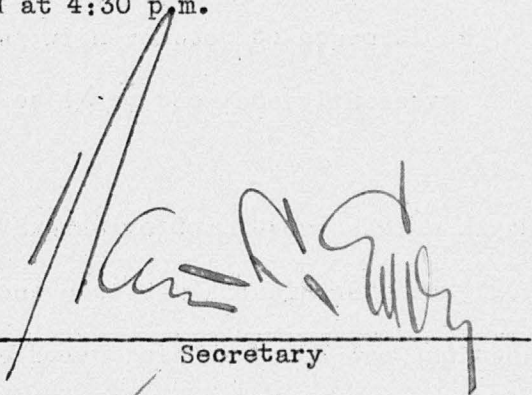
Dated, March 2nd, Recommending approval of the application of Mr. H. C. Couch for permission to serve at the same time as director of the National Park Bank, New York, N.Y., as director of the Bankers Trust Company, Little Rock, Ark., and as director of the Simmons National Bank, Pine Bluff, Ark.

Recommendation approved.

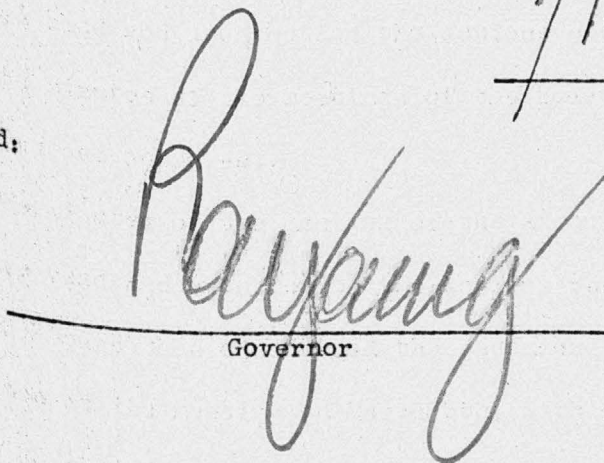
Dated, March 2nd, Recommending approval of the application of Mr. Albert C. Eppinger for permission to serve at the same time as director of the First National Bank, West New York, N.J., and as director of the Weehawken Trust and Title Company, Union City, N.J.

Recommendation approved.

The meeting adjourned at 4:30 p.m.

  
Secretary

Approved:

  
Governor