

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, March 6, 1928, at 3:00 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 February 28th were read and approved.

The minutes of the meeting of the Executive Committee held on February 29th were read and upon motion the actions recorded therein were ratified, Mr. Cunningham not voting with respect to approval of the establishment of a rediscount rate of 4% by the Federal Reserve Bank of Cleveland.

The Minutes of the meeting of the Executive Committee held on March 2nd were read and upon motion the actions recorded therein were ratified.

The minutes of the meetings of the Board held on March 3rd and 5th were read and approved.

The minutes of the meeting of the Executive Committee held on March 5th were read and upon motion the actions recorded therein were ratified.

The Board then considered the recommendations made by the Executive Committee at its meeting on March 5th, with respect to inclusion in the Annual Report of suggestions for amendments to the Federal Reserve Act and other statutes. Particular consideration was given to a proposed 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

3/6/28

-2-

or purchase by Federal Reserve banks, with respect to which the Committee made no recommendation.

Mr. Hamlin moved that the amendment in question be suggested in the Board's Annual Report.

Mr. Hamlin's motion being put by the Chair was carried, the members voting as follows:

Governor Young, "aye"

Mr. Platt, "aye"

Mr. Hamlin, "aye"

Mr. Miller, "no"

Mr. Cunningham, "no"

Mr. Hamlin then moved inclusion in the Annual Report of all other amendments recommended by the Committee.

Carried.

Memorandum from Counsel dated March 5th, with respect to application by the Security Bank and Trust Company of San Francisco, a nonmember bank, for the surrender and cancellation of 4,500 shares of stock in the Federal Reserve Bank of San Francisco formerly held by the United Bank and Trust Company of San Francisco which recently was merged with the former institution; Counsel stating that the application is in proper legal form and may be approved.

Upon motion, cancellation of the stock standing in the name of the United Bank and Trust Company was approved.

Report of Executive Committee on memorandum dated March 5th from the Comptroller of the Currency, recommending approval of an application of the First National Bank of Mountain Home, Idaho, for permission to reduce its capital from \$100,000 to \$75,000 and its surplus from \$30,000 to \$25,000, on condition that the \$30,000 thus released be used solely for

3/6/28

-3-

the elimination of losses and other real estate and that no money be returned to shareholders; the Board's Committee recommending approval subject to the conditions suggested by the Comptroller.

Approved.

Telegram dated March 6th from the Chairman of the Federal Reserve Bank of Richmond, advising of the death of Mr. Edmund Strudwick, Class B Director of that bank.

Noted, with regret.

Telegram dated March 6th from the Managing Director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland, advising of the death of Mr. Charles W. Brown, one of the Board's appointees to the directorate of the Branch.

Noted with regret and referred to the Committee on District #4 for recommendation as to the appointment of a successor.

The Secretary then referred to the fact that the Board at its meeting on February 7th fixed March 7th as the date for formal hearings at which representatives of the Farmers State Bank, Genoa, Nebraska, and the Farmers State Bank, St. Edward, Nebraska, were requested to appear to show cause why their respective institutions should not be required to surrender their stock in the Federal Reserve Bank of Kansas City and to forfeit all rights and privileges of membership in the Federal Reserve System. He stated that the Farmers State Bank of Genoa wishes to appear instead before the Federal Reserve Agent at Kansas City but was unable to do so on February 27th, the date fixed by the Federal Reserve Agent

3/6/28

-4-

for such appearance, and that the Federal Reserve Agent was advised that in order to permit the holding of a hearing in his office on a date convenient to the Farmers State Bank of Genoa, the Board would postpone its hearing in that case until March 21st at 11:00 a.m.

He also stated that the Farmers State Bank of St. Edward, Nebraska, had advised the Federal Reserve Agent that it could not be represented before him on February 28th, the date fixed by him for a hearing in that case, and that the Federal Reserve Agent was requested to discuss the situation with his Executive Committee and make recommendations to the Board as to whether the date of hearing before the Board should be postponed and another date set for representatives of the bank to appear before him, if desired. He presented a telegram received from the Federal Reserve Agent today reporting advice from the Farmers State Bank of St. Edward that it does not desire to appear before him and that he has no recommendation for postponement of the Board's hearing set for tomorrow, at which the Farmers State Bank of St. Edward also advised no appearance would be made.

After discussion, it was voted to approve the advice given the Federal Reserve Agent of postponement from March 7th to March 21st of the Board's hearing in the case of the Farmers State Bank of Genoa.

The Secretary then presented the substitute organization certificate and articles of association of the proposed United States Foreign Financing Corporation, received on January 27th in place of the original organization certificate and articles of association which the Board, at its meeting on January 13, 1928, voted not to approve. He also submitted the matter

3/6/28

-5-

ordered circulated at the meeting on February 27th, namely, letter dated February 16th from the Federal Reserve Agent at New York, submitting a report of the supplemental investigation conducted by him covering those of the organizers of the proposed corporation signing the substitute organization certificate and articles of association who were not covered in the investigation conducted by him of the signers of the original organization certificate and articles of association. He read to the Board the conclusion of the Federal Reserve Agent that the organizers added to the proposed enterprise do not sufficiently improve the prospects for the successful operation of the corporation to warrant the Board granting a preliminary permit to begin business. At the request of the Governor, he reviewed in detail the consideration given by the Board to the original organization certificate and articles of association and also the additional information submitted on behalf of the organizers at the time of the filing of the substitute documents.

After full discussion, upon motion, the following resolutions were adopted:

WHEREAS, the Federal Reserve Board on January 13, 1928, adopted a resolution that the articles of association and the organization certificate of a corporation proposed to be organized under the provisions of Section 25(a) of the Federal Reserve Act under the name of "United States Foreign Financing Corporation" submitted for the approval of the Board by Charles L. Apfel, Stephen B. Gibbons, B. A. Unger, Joseph Sheldon, Henry Green and Henry M. Susswein, as organizers, be not approved and that a permit for such proposed corporation to begin business be not issued;

WHEREAS, on January 27, 1928, Charles L. Apfel, Stephen B. Gibbons, B. A. Unger, Joseph Sheldon, Henry Green, Henry M. Susswein, Milo Ogden Frank and Edmund J. Horwath, as organizers, submitted for the approval of the Federal Reserve Board substitute articles of association and substitute organization certifi-

3/6/28

-6-

cate of a corporation proposed to be organized under the provisions of Section 25(a) of the Federal Reserve Act under the name of "United States Foreign Financing Corporation" and submitted with the said substitute documents certain additional information regarding the nature of the proposed corporation and the qualifications of its organizers.

WHEREAS, the Board has been advised by its General Counsel that, under Section 25(a) of the Federal Reserve Act, it has authority, in its discretion, to approve or disapprove the articles of association and organization certificate of a proposed corporation to be organized thereunder and to issue or refuse to issue a permit for such proposed corporation to begin business;

WHEREAS, the Board has been advised by its General Counsel that, if in the judgment of the Federal Reserve Board, it would not be in the public interest to permit such a proposed corporation to be organized and to engage in business, it is the duty of the Federal Reserve Board not to approve the articles of association and organization certificate of such proposed corporation and not to issue a permit to commence business;

WHEREAS, the Board has given consideration to the question whether the articles of association and organization certificate of the proposed United States Foreign Financing Corporation, as submitted on January 27, 1928, should be approved and a permit for such proposed corporation to begin business should be issued, in the light of all information received in this matter including the additional information supplied at the time of filing the said documents on January 27, 1928, or since that time;

WHEREAS, upon inquiry, the Board has received information from which it appears that the experience and business qualifications of the organizers of the proposed corporation named in the articles of association and organization certificate submitted on January 27, 1928, are not such as to hold promise of the successful conduct of a corporation engaged in the highly technical activities of those organized under Section 25(a) of the Federal Reserve Act;

WHEREAS, in view of these considerations and in view of other information received by it, the Board is of the opinion that it would not be in the public interest to approve the proposed articles of association and organization certificate of the said proposed "United States Foreign Financing Corporation", submitted to the Board on January 27, 1928;

NOW, THEREFORE, BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, That the articles of association and the organization certificate of the proposed "United States Foreign Financing Corporation", submitted to the Board on January 27, 1928, be not approved;

BE IT FURTHER RESOLVED, That a permit for such proposed corporation to begin business be not issued.

3/6/28

-7-

Memorandum from Counsel dated March 1st with respect to the application of Mr. Dunning Rideout for permission to serve at the same time as an officer of the Bank of Italy National Trust and Savings Association of San Francisco and as director and officer of the First National Bank of Marysville, Calif., which is located only a few blocks from the Marysville Branch of the Bank of Italy National Trust and Savings Association; Counsel stating that if the amendment to the Clayton Act recommended by the Board becomes law there appears to be no reason why the application should not be approved, and recommending that action in the case be deferred until it is determined whether the amendment will be passed at the present session of Congress.

Upon motion, Counsel's recommendation was approved and action on the above application was deferred.

Memorandum from Counsel dated March 1st, submitting draft of reply to letter dated February 16th from the Assistant Federal Reserve Agent at San Francisco, inquiring whether a national bank authorized to act "in any other fiduciary capacity in which state banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the state in which the national bank is located", in addition to certain of the trust powers specifically enumerated in Section 11(k) of the Federal Reserve Act, has the right to exercise the powers enumerated in Section 11(k) which have not been specifically granted to it by the Board; the proposed reply stating that a national bank which has been granted the general power by the Board has the right to act in any fiduciary capacity in which competing state

3/6/28

-8-

banks and trust companies are authorized to act, that come within the meaning of the term "fiduciary capacity" as used in Section 11(k) of the Act.

Upon motion, the proposed letter was approved.

Letter dated February 29th addressed to the Secretary of the Treasury by the Attorney General of the United States, inquiring whether there is any objection to the publication of the opinion rendered by the Attorney General under date of February 18, 1928, with regard to the authority of the Federal Reserve Board over state banks which are members of the Federal Reserve System in respect to the purchase and ownership of stock in other banks.

After discussion, upon motion, it was voted to request that the opinion referred to be not published by the Attorney General at this time, Mr. Hamlin voting "no".

Letter dated February 23rd from the Wisconsin Department of Markets, with respect to the desire of the Wisconsin Cheese Producers Federation to bond warehouses controlled by them under the United States Warehouse Act so as to obtain finances to make advance payments to farmers for milk; the letter stating that as cheese is listed as a manufactured product instead of as an agricultural product they can not avail themselves of the provisions of the United States Warehouse Act, but that it was suggested by Mr. Yohe of the United States Department of Agriculture that the Board might assist in having cheese placed upon the list of agricultural products.

The Secretary reported that he had talked over the telephone with Mr. Yohe of the Department of Agriculture

3/6/28

-9-

who has agreed to appear before the Board for the purpose of explaining what he has in mind.

REPORTS OF STANDING COMMITTEES:

Dated, March 6th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

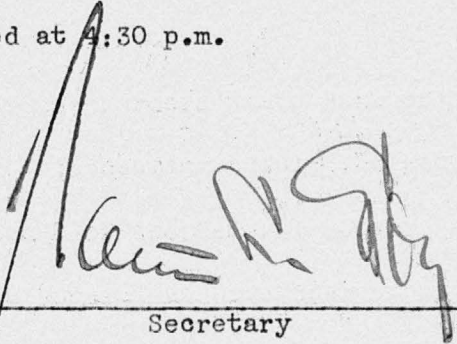
Dated, March 5th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

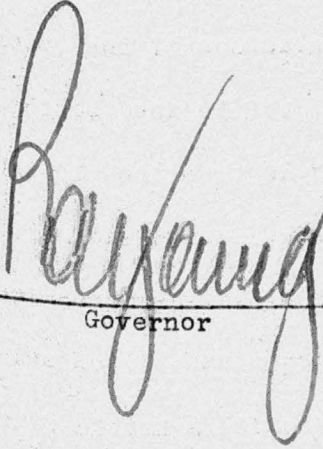
Dated, March 6th, Recommending action on an application for admission of a state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date.

Recommendation approved.

The meeting adjourned at 4:30 p.m.


Secretary

Approved:


Governor