

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Governor on Wednesday, March 7, 1928, at 5:20 p.m.

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

Present Also: Mr. Vest, Assistant Counsel.

The Secretary presented a letter addressed to him under date of March 6th by Mr. Ormsby McHarg, attorney for the organizers of the proposed United States Foreign Financing Corporation, transmitting a communication dated March 5th, addressed to the Federal Reserve Board, in the form of a written demand that the Board take action in the case of the proposed United States Foreign Financing Corporation, it being stated that "this action is necessary in order to pave the way for legal proceedings if the case is any longer delayed."

Noted.

The Secretary then presented drafts of a letter addressed to Mr. McHarg, advising of the action taken at the meeting of the Board yesterday in voting that the articles of association and organization certificate of the proposed United States Foreign Financing Corporation, submitted to the Board on January 27, 1928, be not approved and that a permit for such proposed corporation to begin business be not issued.

After discussion, the following letter was approved and ordered transmitted:

"This is to advise you that the Federal Reserve Board, after careful consideration, voted at its meeting on yesterday not to approve the proposed articles of association and organization certificate, submitted January 27, 1928, of the

3/7/28

-2-

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 not to issue a permit for such proposed corporation to begin business, since it appears to the Federal Reserve Board that the qualifications and business experience of the organizers of the proposed corporation named in the documents 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."

The Governor then presented the following telegram addressed to him by Mr. B. A. McKinney, Vice President of the American Exchange National Bank of Dallas, who was formerly Governor of the Federal Reserve Bank of Dallas:

"Goodwin in Washington dispatch in Evening Journal after quoting Reserve Board on losses of Dallas bank says it is stated unofficially but apparently he means by the Board that Dallas bank had been operating on policy not approved by Reserve Board and Talley succeeded in bringing bank up to another standard Stop. Article continues by quoting Congressman Beedy that bank was extended and reserve impaired before Talley went in and situation required some one to say no Stop. Implication is natural that Beedy got this information in Washington Stop. Bank's reserve has never been impaired. It was rediscounting with other Federals but all were retired short time after I went in and none thereafter Stop. During my administration loans were reduced from fifty millions to negligible amount. The losses materializing during my service were results of handover situations existing when I went in Stop. According to my recollection all banks which closed when I was Governor owed more when I qualified than when they suspended except one. Talley was Agent and member Executive Committee during last two years my service and on no occasion expressed disagreement my policy. He had also for several years been Deputy Governor under my predecessor Stop. If I never had received intimation I did not have confidence of Reserve Board as well as local Board can not believe members Federal Reserve Board have said anything calculated to reflect on me and I feel Board has been misrepresented or misunderstood but I thought it proper to wire you hoping that the injustice done me by Goodwin might be corrected and not repeated Stop It is my feeling that the Board does not desire to see me sacrificed to build up a defense for Talley."

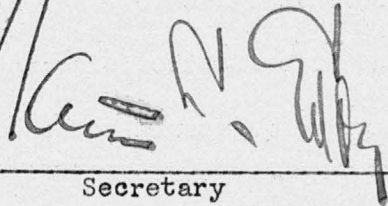
3/7/28

-3-

After discussion, the Governor was authorized to transmit the following telegraphic reply to Mr. McKinney:

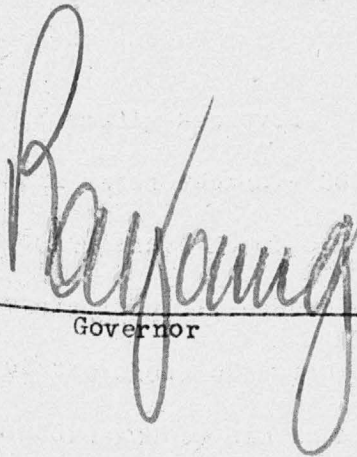
"Been before Senate committee all day which will account for delay in replying your telegram of this morning Stop. Impossible to get a full Board meeting at this time Stop. Question has never been before the Federal Reserve Board Stop. Find that article was prompted by personal letter which Vice Governor Platt wrote to Congressman Beedy furnishing some general information for a debate in Congress Stop. I am sure it was not the intention of Vice Governor Platt to cast any reflection upon your management of the Federal Reserve Bank of Dallas. In fact it was his intention to create just the opposite thought. Certainly from the expressions I have heard the Board has always had a high opinion of your management Stop. Vice Governor Platt has already gotten in touch with Goodwin and will correspond with you direct."

The meeting adjourned at 5:45 p.m.



Secretary

Approved:



Governor