

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, April 4, 1928 at 11:00 a.m.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. McIntosh
Mr. Eddy, Secretary
Mr. McClelland, Asst. Secretary
PRESENT ALSO: Mr. Wyatt, General Counsel

The minutes of the meetings of the Federal Reserve Board held on March 31st and April 2nd were read and approved.

Mr. Wyatt then discussed with the Board a suit filed in the Supreme Court of the District of Columbia for the purpose of obtaining a writ of mandamus directing the Board to approve the articles of association and organization certificate of the proposed United States Foreign Financing Corporation and to issue to that corporation a certificate to commence business. Mr. Wyatt reported that upon investigation he found that the proceedings governing in such suits in the District of Columbia are controlled entirely by a statute which will not permit the filing of a bill to dismiss on purely legal grounds or the filing of a demurrer. He stated that on the contrary the statute requires that the defendant in such a suit by the day named in the court order, unless extended, shall file an answer fully setting forth all defenses upon which he intends to rely. He pointed out that this makes the preparation of the Board's answer to the complaint a most important step and inquired whether the Board wishes his office to handle the case, in conjunction with the United States District Attorney, or whether it wishes to employ special counsel. He stated that in the latter event he believed the special counsel

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should be brought into the case immediately in connection with the preparation of the answer, as several important questions will have to be determined upon before same is filed.

After some discussion regarding the suit and the nature of the Board's answer, upon motion it was voted that the Governor be authorized to arrange for the employment of special counsel in connection with the defense of the suit.

Counsel called attention to the fact that such special counsel will be employed by the Board itself and that it will be necessary that the compensation to be paid be fixed in advance.

Mr. Wyatt then left the room.

The Governor reported that following the meeting of the Board on April 2nd he and Deputy Governor Harrison had an interview with the Secretary of State, regarding the proposed Rumanian currency stabilization, which interview was also attended by Assistant Secretary of State Olds and Dr. Young, Financial Adviser of the State Department. He stated he was advised by the Secretary of State that the Department's attitude in the matter would be communicated to the Board later and that accordingly yesterday afternoon he was informed by the Secretary to the effect that the State Department would interpose no objection to participation by the Federal Reserve banks in the central bank credit involved in the program. The Governor also reported that the Secretary of State advised him that the procedure which has been followed in the past of referring matters of this kind to the State Department informally is entirely satisfactory.

The Governor also stated that when he discussed the matter with the Secretary of the Treasury on Saturday, although the Secretary did not have an opportunity of going very fully into it, he indicated that he was in favor of

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approving the action of the New York directors as outlined in the letter addressed to the Board by Deputy Governor Harrison under date of March 30th.

Deputy Governor Harrison of the New York bank was then called into the meeting and discussed with the Board further the proposed participation of the Federal Reserve Bank of New York in the central bank credit to the National Bank of Rumania. Following this discussion, Mr. Harrison left the room.

Mr. Hamlin moved that the Board approve of the negotiations entered into by the Federal Reserve Bank of New York with the Bank of France for a credit arrangement in favor of the National Bank of Rumania, upon the conditions and reservations set forth by the New York bank, and with the understanding that the other Federal Reserve banks will be allowed to participate in the arrangement as finally made by the Federal Reserve Bank of New York

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. McIntosh, "aye"
Mr. Miller, "no"
Mr. James, "no"

Mr. Miller stated:

"I voted 'no' upon this resolution because the information available to the Board in connection with the whole Rumanian scheme of finance (with which the plan of monetary stabilization is interrelated) is still so much in the formative stage as to make a definite undertaking by the Federal Reserve Bank of New York at this time practically equivalent to sponsorship for the financial arrangements in contemplation for Rumania. Virtually it appears to me that the Federal Reserve Bank of New York becomes with the Bank of France a co-organizer and indorser of the Rumanian scheme. As I view it, this is beyond the proper province and function of the Federal Reserve Bank, and there appear to me to be particular objections to it in the present instance.

"The information before the Board is to the effect that as yet only one European Central Bank has been consulted with

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"regard to the Rumanian plan, namely, the Bank of England. It appears that the Bank of England does not regard with favor the set-up and guarantees in connection with the Rumanian plan, in other words, is not satisfied with the risk, and for that reason has thus far abstained from accepting the invitation to participate in the proposed plan for a stabilization credit. So far as the Board's information goes, it does not appear that any other Central Bank has as yet been consulted; in other words, the Federal Reserve Bank is in as a party to the proposed arrangements ahead of any European Central Bank except the Bank of France which, for special reasons, is the proponent of the plan. This appears to me to be objectionable. The Federal Reserve Bank might well have waited until it should appear whether and how the proposed Rumanian plan would 'take' with the principal Central Banks of Europe; for the working out of suitable solutions, set-ups and guarantees for the financial and stabilization problems of the smaller countries of Europe is primarily a European responsibility and one, in my opinion, not to be interfered with by premature commitment or action on the part of the Federal Reserve System.

"There are, also, other aspects of the procedure in connection with the Rumanian arrangement which I think are open to serious objection at this stage."

Mr. Hamlin explained his vote in the affirmative by stating that the Federal Reserve bank expressly declined to assume any responsibility as to the preparation of the stabilization plan, and has reserved the right to withdraw from the syndicate agreement if the stabilization plan ultimately adopted or the details of the syndicate agreement are not satisfactory to it.

The Governor then stated that the term of Mr. Hamlin as a member of the Executive Committee expired on March 31st and that in the regular order of rotation Mr. Miller would serve on the Committee for the quarter ending June 30th.

Matter approved on initials on April 2nd, namely, application of The State Savings Bank of Mobile, Ala. for permission to exercise general fiduciary powers, effective if and when it is converted into a national banking association and is authorized by the Comptroller of the Currency to commence business as "The Mobile National Bank, Mobile, Ala."

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Formally approved.

Letter dated March 30th from the Assistant Federal Reserve Agent at Boston, advising of the adoption on that date of the following schedule of rates for purchases of bankers acceptances:

1 to 30 days	-	3 1/2%
31 to 90 days	-	3 5/8%
91 to 120 days	-	3 3/4%
121 to 180 days	-	4%

Without objection, noted with approval.

Letter dated April 2nd from the Secretary of the Federal Reserve Bank of Cleveland, advising of the adoption on March 30th of the following schedule of rates for purchases of acceptances:

Bankers:		
1 to 30 days	-	3 1/2%
31 to 90 days	-	3 5/8%
91 to 120 days	-	3 3/4%
121 to 180 days	-	4%
Repurchase	-	3 1/2%
Trade	-	4%

Without objection, noted with approval.

Telegram dated April 3rd from the Secretary of the Federal Reserve Bank of Atlanta, and letters dated March 30th and 31st from the Governor and Chairman of the Federal Reserve Bank of Dallas, advising of the establishment on March 30th of the following rates for purchases of bankers acceptances:

1 to 30 days	-	3 1/2%
31 to 90 days	-	3 5/8%
91 to 120 days	-	3 3/4%
121 to 180 days	-	4%
Repurchase	-	3 1/2%

Without objection, noted with approval.

Telegram dated April 3rd from the Chairman of the Federal Reserve Bank

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of San Francisco, advising of approval by the Executive Committee of that bank of the following schedule of rates for purchases of bankers acceptances effective March 30th:

1 to 30 days	-	3 1/2%
31 to 90 days	-	3 5/8%
91 to 120 days	-	3 3/4%

Without objection, noted with approval.

Telegram dated April 2nd from the Chairman of the Federal Reserve Bank of Minneapolis, advising that the rate of 3 5/8% reported in his telegram of March 30th for purchases of bankers acceptances under resale agreement was in error and that the rate should have been reported as 3 1/2%.

Without objection, noted with approval.

Letter dated April 2nd from the Assistant Treasurer of the United States, advising that no applications were received from National banks during the quarter ended March 31, 1928 for the sale of bonds under Section 18 of the Federal Reserve Act.

Noted.

Memorandum dated April 2nd from the Assistant Director of the Division of Research and Statistics, submitting and recommending acceptance of the resignation of Mr. Jack L. Schneider, messenger in the Division, effective April 15th.

Accepted.

Report of Committee on Salaries and Expenditures on letter dated April 4th from the Comptroller of the Currency, recommending approval of an increase from \$5,200 to \$5,600 per annum in the salary of National Bank Examiner E. B. Wilson; the Board's Committee also recommending approval.

Approved.

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Report of Committee on Salaries and Expenditures on letter dated April 4th from the Comptroller of the Currency, recommending approval of a salary of \$4,000 per annum for National Bank Examiner George L. Medill, assigned to the Third Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated March 30th from the Federal Reserve Agent at St. Louis, advising of the action of the Executive Committee of that bank in voting to extend for a period of thirty days from April 6th, with full pay, leave of absence on account of illness previously granted Mr. J. W. Rinkleff, controller of the bank; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Executive Committee on memorandum dated March 28th from the Acting Comptroller of the Currency, recommending approval of an application of The First National Bank of Ladonia, Texas for permission to reduce its capital from \$125,000 to \$100,000, on condition that the \$25,000 released be used for the purpose of establishing a surplus of \$15,000 and eliminating the losses set forth in the last report of examination; the Board's Committee recommending approval subject to the conditions suggested by the Acting Comptroller.

Approved.

Report of Executive Committee on memorandum dated March 30th from the Acting Comptroller of the Currency, recommending approval of an application of The First National Bank of Hemet, Cal. for permission to reduce

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its capital from \$100,000 to \$50,000 on condition (1) that the entire amount of an assessment of 50% of the present capital be fully paid in; (2) that no money be returned to the shareholders in connection with the reduction in capital - all assets heretofore charged off and those charged off at examination, totaling approximately \$232,000, together with any assets charged off as part of the reduction, to remain the property of the bank and any salvage thereon to be credited to the profits of the bank if and when collected; and (3) that when the reduction in capital is effected \$5,000 be placed in the surplus fund, \$10,000 in undivided profits and approximately \$35,000 be used in eliminating certain doubtful assets listed.

Upon recommendation of the Executive Committee the reduction in capital was approved subject to the conditions suggested by the Acting Comptroller.

Report of Executive Committee on memorandum dated March 29th from the Acting Comptroller of the Currency, recommending approval of an application of the First National Bank of Rotan, Texas for permission to reduce its capital from \$50,000 to \$30,000 on condition that all stock be retired pro rata, that no money be returned to the shareholders, and that the entire amount of the reduction be used to eliminate "other real estate" and other undesirable assets or for the reduction of the carrying value of banking house, furniture and fixtures, all "other real estate" or undesirable assets removed to be trusted for the benefit of shareholders at the date of reduction.

Upon recommendation of the Executive Committee, it was voted to approve the capital reduction, subject to the conditions suggested by the Acting Comptroller.

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Memorandum dated March 30th from the Chief of the Division of Bank Operations, submitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of February and for the two months period ending February 29th.

Ordered circulated.

Memorandum from Counsel dated March 27th, submitting draft of reply to letter dated March 15th from the Cashier of the Pasadena National Bank, Pasadena, Cal. with reference to the right of that bank to act as registrar of stocks and bonds; the proposed reply stating that the Board is advised that there are no California state banks in cities the size of Pasadena with capital less than \$200,000 acting as registrar of stocks and bonds, and that since the Pasadena National Bank has a capital less than this amount the Board has no authority to grant the permit requested. The letter submitted by Counsel also stated that it is not within the power of a national bank to act as registrar unless it obtains a permit from the Board and in his memorandum he suggested that the proposed reply, therefore, be referred to the Comptroller of the Currency for approval before being transmitted.

Upon motion, it was voted to refer the proposed letter to the Pasadena National Bank to the Comptroller of the Currency, in accordance with Counsel's suggestion.

Memorandum from Counsel dated March 24th, with reference to the fiduciary application of the City National Bank in Miami, Fla., a newly organized bank which recently consolidated with the City National Bank and Trust Company of Miami and is handling a few trusts retained when the majority of the trust business of the City National Bank and Trust Company was trans-

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ferred to a state institution known as the City Trust Company; Counsel suggesting that before acting upon the application, which is made in accordance with the Board's Regulations although not believed to be technically necessary, the Board take up with the applicant bank a statement contained in a letter addressed to the Federal Reserve Agent at Atlanta that it is not the intention of the bank to qualify for the exercise of trust powers by the deposit of securities with state authorities. Counsel pointed out that under the law and regulations of the Board if the City National Bank in Miami is to exercise trust powers it must deposit securities with the state authorities as required by state law.

Upon motion, it was voted to instruct Counsel to prepare an appropriate letter to the applicant bank.

The Governor then reported that following the meeting of the Board on March 30th he wired the Deputy Governor of the Federal Reserve Bank of Dallas that should that bank comply with the request of the Pacific National Agricultural Credit Corporation of Fresno, made through the Federal Intermediate Credit Bank of Berkeley, that the El Paso Branch be designated as its agent for the performance of certain specified operations, the Board feels that a charge should be made for the services rendered by the Branch and would like to have suggestions as to what would be a proper basis therefor, anticipating that other requests of the kind may be received and that some definite System policy should be worked out. He reported that no reply to this telegram has as yet been received. He also stated that he discussed the matter with Mr. Eugene Meyer, Farm Loan Commissioner, who informed him that there are only two agricultural credit corporations in existence and it is unlikely

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any other requests of the kind will be received.

Memorandum from Counsel dated March 23rd, submitting for the use of the Secretary of the Treasury in a proposed letter to the Chairman of the Committee on Banking and Currency of the Senate, a memorandum relative to S. 3024, a bill to "provide for the establishment of Federal Cooperative Banks and a Federal Cooperative Reserve System and for other purposes".

Upon motion, the memorandum submitted by Counsel was approved and ordered transmitted to the Secretary of the Treasury.

Memorandum from Counsel dated March 12th, submitting draft of letter to the Chairman of the Committee on Banking and Currency of the Senate, prepared for the signature of the Secretary of the Treasury, with regard to S. 3508, a bill "to increase the number of members of the Federal Reserve Board, to make the Board more representative, to provide for the proper control and equitable distribution of the credit supply, to establish closer contact between Congress and its agent, the Federal Reserve Board, and for other purposes".

Upon motion, the letter submitted with Counsel's memorandum was approved.

Memorandum from Counsel dated February 23rd, prepared at the request of Mr. Gilbert, Supervisor of Examinations, with respect to the proper classification of deposits due in exactly thirty days.

Ordered circulated.

REPORTS OF STANDING COMMITTEES:

Dated, March 31st, Recommending changes in stock at Federal Reserve Banks
 April 3rd, as set forth in the Auxiliary Minute Book of this date.
 Recommendations approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

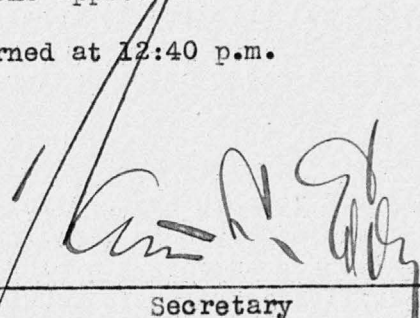
Dated, March 29th, April 2nd, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

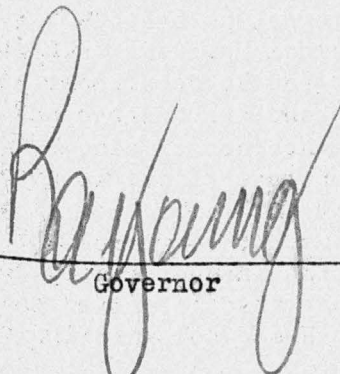
Dated, March 27th, 31st, April 4th, Recommending action on applications for membership by state institutions as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

The meeting adjourned at 12:40 p.m.


Secretary

Approved:


Governor