

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, April 27, 1928 at 11:30 a.m.

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

The minutes of the meetings of the Federal Reserve Board held on April 21st, 23rd and 24th were read and approved.

Mr. Hamlin referred to the discussion which took place at the meeting on April 24th, regarding the authority of the Board in connection with purchases and sales of securities by Federal Reserve banks and submitted the following statement confirming the personal views expressed by him during the discussion:

"The only specific power given to the Federal Reserve Board as regards purchases and sales of Government securities by Federal Reserve banks, is contained in Section 14 (b), stating that such purchases shall be made in accordance with rules and regulations prescribed by the Board. The Board, under this Section, is given the power to regulate, and probably it could prescribe, maximum and minimum amounts which could be sold during any one period, but it could not forbid sales or purchases absolutely, for the power to regulate is not the power to destroy.

In other words, the Federal Reserve Bank, under the Act, has been given a discretionary power which can be regulated but not taken away from the bank.

It should be noted that the Board is given power only to regulate purchases and sales of Government securities under Section 14. Under Section 13 it is given power not only to regulate but also to restrict and limit purchases and sales of acceptances and domestic and foreign bills. This latter power, however, does not apply to purchases of Government securities.

The formation of the Open Market Investment Committee grew out of a voluntary agreement entered into between the Federal Reserve Board and the Federal Reserve banks. Under this agreement, the individual authority and discretion of each Federal Reserve bank to buy and sell Government securities is taken away, and the power is given to the Open Market Investment Committee and the Federal Reserve Board.

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"I believe a Federal Reserve bank could withdraw from this agreement at any time. As a voluntary arrangement, however, an agreement is most desirable, and has worked well in practice, every operation of the Committee having been approved by the Federal Reserve Board.

In my opinion, the Federal Reserve Board has no legal right under the Federal Reserve Act to create such a Committee, or to take over to itself such functions, except by voluntary arrangement. If it had such a right and should exercise it, it would be tantamount to making the Federal Reserve System a central bank operated from Washington. It might also be claimed, if it had such a right, that it could create a similar Committee to take charge of the fixing of discount rates of the individual Federal Reserve banks. I cannot believe that any such power was intended to be granted by Congress to the Federal Reserve Board."

The Governor then stated that in accordance with the request of the Board at its meeting on April 24th he discussed over the telephone with the Chairman of the Federal Reserve Bank of New York the action of the Executive Committee of that bank in voting to grant to Mr. R. M. Gidney, Assistant Deputy Governor, a leave of absence of two weeks, in addition to his regular vacation of one month, and, subject to the approval of the Board, to pay him full salary during such leave. The Governor stated he was informed that the directors of the New York bank gave the matter careful consideration and approved the extended leave for Mr. Gidney only because of the fact that he expects to spend his vacation at the home of his parents in California and considerable time is required to make the trip. The New York directors, the Governor stated, regard this case as an exceptional one which is not to be regarded as a precedent.

Mr. Platt moved approval of the payment of full salary to Mr. Gidney during the extended leave of absence granted him by the New York directors.

The roll being called, Mr. Platt's motion was carried, the members voting as follows:

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Governor Young, "aye"
 Mr. Platt, "aye"
 Mr. Hamlin, "aye"
 Mr. Miller, "no"
 Mr. James, "no"

Matter approved on initials on April 24th, namely, telegram dated April 24th from the Chairman of the Federal Reserve Bank of Minneapolis, advising that the Executive Committee, under authority of the board of directors, on that day voted to establish a rediscount rate of 4 1/2% on all classes of paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board. The Secretary read to the Board the following telegram received from the Chairman of the Minneapolis Bank under date of April 25th:

"Our outstanding reason for increasing rediscount rate is that in our judgment our rate should always be uniform with the Chicago rate on account of the fact that the most important part of our district is contiguous to the Chicago district."

The Board, on April 24th, having informally approved the rediscount rate of 4 1/2% established by the Executive Committee of the Minneapolis Bank for all classes of paper of all maturities effective April 25th, upon motion this action was ratified, Mr. James voting "no".

In explanation of his vote, Mr. James referred to the statement submitted by him at the meeting on April 18th in connection with the increase in the rate of the Federal Reserve Bank of Boston.

Letter dated April 24th from the Chairman of the Federal Reserve Bank of Boston, advising that effective April 20th that bank's rate for purchases of government securities under resale agreement was increased from 4 to 4 1/2%, to conform to the discount rate made effective on that date.

Without objection, noted with approval.

Telegram dated April 25th from the Chairman of the Federal Reserve

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Bank of Boston, letter dated April 26th from the Secretary of the Federal Reserve Bank of New York and telegram dated April 26th from the Chairman of the Federal Reserve Bank of Kansas City, all advising that their boards of directors at meetings on the dates stated made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Letter dated April 23rd from the Secretary of the Federal Reserve Bank of Cleveland, advising that effective May 1, 1928 the salary of Mr. F. W. King, guard, will be reduced from \$2750 to \$2400 per annum.

Noted, with approval.

At this point, Mr. McIntosh joined the meeting.

Reports of Executive Committee on letters dated April 24th from the Comptroller of the Currency, recommending approval of salaries of \$2500 per annum for National Bank Examiners Bryan E. Horton and William M. Whitehurst, assigned to the Eleventh Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated April 25th from the Chairman of the Federal Reserve Bank of Boston, advising of the action of the board of directors of that bank in voting to extend until their next meeting leaves of absence on account of illness granted Messrs. Joseph Buckley, Lester W. Clark and Joseph L. Gaynor. and until May 1st leave of absence granted Miss Dorothy M. Roberts, Messrs. Buckley and Clark and Miss Roberts to receive half pay and Mr. Gaynor full pay; the Board's Committee recommending approval of the salary payments involved.

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Approved.

Report of Committee on District #4, recommending the appointment of Mr. Joseph B. Shea, President of the Joseph Horne Company of Pittsburgh, as a director of the Pittsburgh Branch for the unexpired term of Mr. Charles W. Brown, deceased, ending December 31, 1928.

Upon motion, Mr. Shea was appointed a director of the Pittsburgh Branch for the unexpired term ending December 31, 1928.

The Secretary then presented a telegram dated April 25th from Mr. A. C. Schreiner, advising that he can not accept appointment by the Board as a director of the San Antonio Branch for the unexpired term ending December 31, 1929.

Noted, and referred back to the Committee on District #11 for recommendation.

The Secretary then read to the Board draft of a letter to the Governor of the Federal Reserve Bank of Richmond, prepared by the Governor of the Board, confirming telephone conversation reported to the Board on April 24th relative to the action of the directors of the Richmond bank in directing liquidation of investment securities held by the bank.

Upon motion, the letter was approved as submitted.

Letter dated April 23rd from the Deputy Governor of the Federal Reserve Bank of New York, with respect to gold exports since November 10th and the resulting increase in the use of Federal Reserve credit; the letter also setting forth changes in currency circulation, member bank reserve requirements, and the effect of sales of securities on the discounts of the Federal Reserve banks.

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The above letter, having been circulated among all members of the Board, was noted.

Memorandum from the Assistant Secretary dated April 25th, recommending approval by the Board of the following changes in the inter-district time schedule, all of which are agreeable to the Federal Reserve banks concerned:

From	Little Rock	to	San Francisco		From	5 days	to	4 days	
"	"	"	"	Jacksonville	"	3	"	"	2
"	"	"	"	Portland	"	5	"	"	4
"	"	"	"	Denver	"	3	"	"	2
"	Louisville	"	Seattle		"	5	"	"	4
"	"	"	Los Angeles		"	5	"	"	4
"	Memphis	"	Baltimore		"	3	"	"	2
"	"	"	Richmond		"	3	"	"	2
"	St. Louis	"	Boston		"	3	"	"	2
"	"	"	Helena		"	4	"	"	3
"	"	"	Jacksonville		"	3	"	"	2
"	"	"	Portland		"	4	"	"	3
"	Omaha	"	St. Louis		"	1 day	"	"	2
"	Boston	"	St. Louis		"	3 days	"	"	2

Approved.

Letter dated April 26th from Hornblower, Miller and Garrison, New York City, submitting an application for approval and reservation by the Board of the title of "Federal Discount and Investment Trust" for a corporation which it is proposed to organize under the terms of Section 25 (a) of the Federal Reserve Act.

After discussion, the above letter was referred to Counsel for an opinion as to whether the Board has authority to disapprove the use of the word "Federal" in the title of a corporation organized under the Edge Act, and also whether the Board may revoke permission previously granted for the inclusion of that word in the title of a corporation already organized.

Report of Committee on District #5 on letter dated April 17th from the Chairman of the Federal Reserve Bank of Richmond, advising that subject to the approval of the Board the directors of that bank have authorized the

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immediate construction of a tunnel connecting the new building of the Baltimore Branch with the Postoffice building at Baltimore, and to accept an offer from George A. Fuller and Company, contractors for the Baltimore building, to execute the work for a fixed total price of \$31,200, provided it can be undertaken before their personnel and equipment is moved from the Branch premises, the total cost, including architects fees, being estimated at \$35,700. Mr. James, on behalf of the Committee, reported that the necessary authority for the construction of the tunnel has been secured from the Treasury Department and that the Committee recommends approval of the action of the Richmond directors.

Upon motion, the action of the directors was approved.

At this point, Mr. Platt left the meeting.

Memorandum dated April 12th from Counsel, submitting draft of a letter to the Federal Reserve Agent at Atlanta, with reference to an application by the Comptroller of the State of Florida for the cancellation of 120 shares of Federal Reserve Bank stock held by the Southern Bank and Trust Company of Miami, the affairs of which have been taken over by the State Comptroller, although the Southern Bank and Trust Company has not been declared insolvent or placed in liquidation; the proposed letter stating that the Board is not authorized to approve the application of the Comptroller of the State and that the membership of the Southern Bank and Trust Company can not be terminated except after six months' written notice of intention to withdraw from the System or unless expelled from membership for violation of the provisions of the Federal Reserve Act or the Board's regulations.

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After discussion, the proposed letter was referred to the Governor with power.

Draft of letter to the Chairman of the Committee on Banking and Currency of the Senate, referring to an oral request made by the Chairman of the Vice Governor of the Board for an expression of views regarding H. R. 10151, a bill to amend Section 9 of the Federal Reserve Act so as to permit all state banks and trust companies which are members of the Federal Reserve System to act generally as depositaries of public moneys and as financial agents of the government when designated for that purpose by the Secretary of the Treasury; the proposed letter stating that although the bill is of more interest to the Treasury Department and the Comptroller of the Currency than to the Federal Reserve Board, the Board would interpose no objection to its enactment. The Comptroller of the Currency stated that he understands the Treasury Department has prepared a letter to the Chairman of the Senate Committee, suggesting some amendment of the bill in question.

Upon motion, the proposed letter was then referred to the Governor with power.

The Secretary then submitted letters exchanged with the Federal Reserve Agent at Philadelphia, with reference to applications for reductions in reserve requirements from 10% to 7% of demand deposits, filed with the Federal Reserve Agent by the following outlying banks in the city of Philadelphia:

Oxford Bank and Trust Company
Second National Bank
Northeast National Bank of Holmesburg
Northeast-Tacony Bank and Trust Company
National Bank of Germantown
Broad Street National Bank

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He also presented a similar application addressed direct to the Board by the Ninth Bank and Trust Company of Philadelphia, He stated that no firm recommendation for approval or disapproval has been received from the Federal Reserve Agent at Philadelphia on the applications filed with him, but that the Federal Reserve Agent recommends that a hearing regarding the applications be granted the Clearing House Association of Philadelphia which is interested in the applications.

After considerable discussion, the Secretary was directed to prepare and submit to the Board an analysis of the condition and character of business of the several banks filing the applications.

A general discussion then ensued with respect to the reserve requirements of member banks, during which Mr. Miller moved -

"Effective at a date to be fixed later, the reserve cities of Boston, Philadelphia, Cleveland, St. Louis and San Francisco be designated by the Board as central reserve cities."

Mr. Hamlin moved as a substitute for Mr. Miller's motion that the proposal contained therein be laid on the table and referred to the forthcoming meeting of the Federal Advisory Council for discussion and recommendation.

Mr. Hamlin's substitute motion, being put by the Chair, was carried.

Mr. Miller then stated that he wished to submit for consideration another proposed motion on which he would not request immediate action, as follows:

"That Counsel be instructed to prepare draft of an amendment to the Board's Regulations which would fix seven days as the minimum limitation on advances to member banks on their promissory notes secured by eligible paper or government securities."

After discussion, Mr. Miller's proposed motion was laid on the table.

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REPORTS OF STANDING COMMITTEES:

- Dated, April 25th, 26th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, April 23rd, 24th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Recommendations approved.
- Dated, April 24th, 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 1:00 p.m.

[Handwritten Signature]

 Secretary.

Approved:

[Handwritten Signature]

 Governor.