

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, May 28, 1928 at 10:30 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on May 18th were read and approved.

The minutes of the meeting of the Executive Committee of the Federal Reserve Board held on May 24th were read and upon motion the actions recorded therein were ratified.

The minutes of the meeting of the Federal Reserve Board held on May 25th were read and approved as amended.

The Secretary then presented the matter which was referred to the Board without recommendation at the meeting of the Executive Committee on May 24th, namely, application on behalf of the Industrial National Bank and Trust Company of New York, N. Y. (organizing) for permission to exercise general fiduciary powers; together with report of the Board's Law Committee recommending that the application be approved, effective if and when the Comptroller of the Currency authorizes the bank to commence business and on condition that at that time its paid-in capital be equal in amount to that required of state banks and trust companies in New York. The Secretary also presented a memorandum from the Comptroller of the Currency who recommends approval of the application, advising that on May 16th he authorized the bank to open under the title "Industrial National Bank of New York",

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but that the institution will not open until some time in June and is desirous of opening under the title of "Industrial National Bank and Trust Company".

Discussion then ensued as to favorable action by the Board in view of the recommendation of the Federal Reserve Agent at New York that the granting of trust powers be deferred until the organizers have demonstrated for at least one year their ability to properly and profitably operate a bank at the proposed location. The Governor left the room to communicate over the telephone with the Federal Reserve Agent at New York. Upon his return he stated that when the Federal Reserve Agent was advised that the rule of the Board not to grant fiduciary powers to newly organized national banks is not a hard and fast rule but one to which exceptions have been made upon the recommendation of the Comptroller of the Currency, he stated that he would have no objection to approval of the application, as he had not understood exceptions were made to the Board's rule referred to.

Mr. Hamlin then moved that the Board approve the application for general trust powers filed on behalf of the Industrial National Bank and Trust Company of New York, N. Y. effective if and when it opens for business and on condition that at that time its paid-in capital is equal in amount to that required of trust companies and state banks exercising trust powers in New York.

Mr. Hamlin's motion being put by the Chair was carried, Mr. Miller voting "no".

Mr. James stated that he voted "aye" on the basis of the favorable recommendation of the Comptroller of the Currency.

The Governor then referred to the resolutions submitted by Mr. Cunningham at the meeting of the Board on February 2, 1928, with regard to the taking of steps by the Board to secure information as to member banks borrowing from the Federal Reserve Banks and simultaneously carrying loans on call in New York; the Board having adopted a substitute motion authorizing the Governor

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to work out and report to the Board the most suitable method of obtaining the information desired. The Governor reported that in accordance with this action he conferred with the Board's Chief Examiner, the Chief of the Board's Division of Bank Operations and with representatives of the Comptroller of the Currency and that as a result of the conferences with these officers and the Comptroller reached the conclusion that the most suitable method of obtaining the information as of a given date was to incorporate an item covering it in the call report forms used by the Board and Comptroller. He stated he had hoped to have the question covered in the June 30th call report, but that it was found impracticable to ask for it until the October call, which is now the plan.

A detailed discussion ensued following which, upon motion, the report made by the Governor was accepted, Mr. Cunningham voting "no".

At this point, Messrs. Cunningham and McIntosh withdrew from the meeting.

Reference was then made to the fact that Mr. Cunningham is leaving Washington tomorrow for an extended absence in order to complete convalescence from his recent illness.

Upon motion, it was voted that the Governor be requested to state to Mr. Cunningham that the Board's schedules of summer vacations and of meetings have been so arranged that he can readily remain away from Washington as long as he feels his health requires, and the Board believes that he should remain away during the summer months when the weather is likely to be a severe handicap to his recovery.

The Governor then referred to the motion made by Mr. Miller at the meeting on April 27th, and laid on the table, 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. Mr. Miller stated that after considering the matter further he did not believe that

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such a regulation would have the desired effect. It was then suggested that Counsel be instructed to proceed with the preparation of the Regulation and that the proposal be submitted to the directors of the Federal Reserve Bank of New York for an expression of their opinion.

Upon motion, the suggestion was adopted.

The Governor then brought up the motion made by Mr. Miller at the meeting on April 27th and laid on the table, that 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.

He also referred to the motion made by Mr. James at the meeting on May 7th that the question of requiring daily computation of reserves by member banks in all Federal Reserve bank and branch cities, based upon deposits as at the opening of business, be made special order for a meeting of the Board to be held on May 24th. He stated that the matter did not come up on May 24th because of the absence of a quorum and that Mr. James had consented to have it considered at a later meeting in conjunction with several other questions relating to reserve requirements which have been before the Board from time to time.

The Governor suggested and, upon motion by Mr. Miller, it was voted that the various questions referred to be made special order of business on a date to be fixed by the Governor; whereupon the Governor fixed Thursday, May 31st, as the date for the meeting in question.

Letter dated May 24th from the Secretary of the Federal Reserve Bank of New York, and telegram dated May 24th from the Chairman of the Federal Reserve Bank of Kansas City, advising that their boards of directors at meetings on the date stated made no changes in the banks' existing schedules of rates

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of discount and purchase.

Without objection, noted with approval.

Matter approved on initials by the Executive Committee on May 24th, namely, telegram dated May 24th from the Governor of the Federal Reserve Bank of Cleveland, advising that the Executive Committee, under authority of the board of directors, on that day voted to establish a rediscount rate of $4 \frac{1}{2}\%$ on all classes of paper of all maturities, effective the first business day following that on which approved by the Federal Reserve Board.

The rate of $4 \frac{1}{2}\%$ established by the Executive Committee of the Cleveland Bank on all classes of paper of all maturities, having been informally approved, effective May 25th, was upon motion formally approved.

Matter approved on initials by the Executive Committee on May 25th, namely, telegram dated May 25th from the Chairman of the Federal Reserve Bank of Atlanta, advising that the board of directors on that day voted to establish a rediscount rate of $4 \frac{1}{2}\%$ on all classes of paper of all maturities effective the first business day following that on which approved by the Federal Reserve Board.

The rate of $4 \frac{1}{2}\%$ established by the directors of the Atlanta bank on all classes of paper of all maturities having been informally approved, effective May 26th, was on motion formally approved.

The Secretary called attention to the fact that the telegram from the Chairman of the Atlanta bank also advised of the establishment of a rate of $4 \frac{1}{2}\%$ for purchases of government securities under resale agreement.

Without objection, noted with approval.

Telegram dated May 26th from the Federal Reserve Agent at Boston, advising of the death of Mr. Charles G. Washburn, Class B Director of that

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bank, whose term would have expired December 31, 1930.

Noted, with regret.

Letter dated May 25th from the Chairman of the Federal Reserve Bank of Boston, requesting approval of the holding of a special election to fill the vacancy on the board of directors caused by the death of Mr. Charles G. Washburn, Class B Director, and suggesting that July 16, 1928 be designated as the date for opening of the polls.

Approved.

Report of Committee on Salaries and Expenditures on letter dated May 23rd from the Chairman of the Federal Reserve Bank of Boston, requesting approval of the action of the board of directors of that bank in voting to extend until its next meeting, with half pay, leave of absence on account of illness previously granted Mr. Joseph Buckley; the Board's Committee recommending approval of the salary payment involved.

Approved.

Memorandum dated May 24th from the Assistant 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 April and for the four months' period ending April 30th.

Ordered circulated.

Memorandum from Counsel dated May 18th, submitting draft of reply to letter dated May 9th from the Assistant Federal Reserve Agent at New York, inquiring whether it is necessary for persons who have received the permission of the Board under the provisions of the Clayton Act to serve the Bank of America of New York to obtain new permits to serve the Bank

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of America National Association; the proposed reply stating that the Board has heretofore held that a person serving a state bank by permission of the Board, after conversion of the state bank into a national bank and the consolidation of the national bank with another national bank, may serve the consolidated institution without securing a new permit. In the proposed letter it was requested, however, that the Assistant Federal Reserve Agent report to the Board whether as a result of the conversion or consolidation the question of whether it is compatible with the public interest for a person to continue to serve the banks included in the Board's permit has been so affected as to make advisable the revocation of the permit issued.

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

The Secretary then presented the recommendations made to the Board by the Federal Advisory Council at its meeting on May 18, 1928. In view of the fact that practically all of the recommendations deal with questions concerning reserve requirements, the Governor suggested that the report be made special order of business for May 31st when several of the questions covered therein will come up for action by the Board.

Upon motion, the Governor's suggestion was approved.

The Governor also presented a letter dated May 22nd from the Secretary of the Governors' Conference setting forth the actions and recommendations of the recent Conference with respect to the questions referred to it by the Board or in which the Board is interested.

At the suggestion of the Governor this report was also made special order of business for May 31st, as it refers to various questions which have already been fixed for consideration on that date.

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Letter dated May 22nd from the Chairman of the Federal Reserve Bank of Philadelphia, advising that he has accepted an invitation to attend the conference of the United States Chamber of Commerce which will be held in Washington on June 4th and 5th; the Chairman stating that he had planned to attend the Conference merely as an observer and not as a representative of the Federal Reserve Bank, but that it appears that the System will be officially represented, in view of which fact he would like to know whether or not there is any program as to action which it is felt should or should not be taken by the System at the Conference. The Governor stated that he plans to attend the Conference unofficially and that he understands Mr. Platt and Mr. James will also do so, taking no active part in the deliberations.

After discussion, Governor Young stated that he would advise Mr. Austin to this effect.

Draft of letter, prepared by Counsel in accordance with the instructions given by the Board at the meeting on May 24th, in reply to a letter dated May 19th from Mr. Julius Spiegel of New York City, relative to the organization of a corporation under Section 25 (a) of the Federal Reserve Act to be known as the "International Trading Bank".

Upon motion, the proposed reply was approved.

Memorandum dated May 23rd from Counsel on letters dated May 18th and 23rd from Messrs. Shearman and Sterling, New York City, submitting an application of the National City Bank of New York for permission to establish an additional branch in Havana, Cuba; Counsel stating that the application appears to be in proper form and there is no legal reason why it should not be granted.

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Upon motion, it was voted to refer the above application to the Comptroller of the Currency for recommendation.

Memorandum from Counsel dated May 25th on the matter referred to him at the meeting on May 24th, namely, letter dated May 17th from the Chairman of the Federal Reserve Bank of Boston, inquiring as to how long ballots cast in elections of Class A and B Directors should be retained after being counted and certified; Counsel stating that there is no requirement in the Federal Reserve Act nor general requirement of law on the subject but that in order to be able to meet any contingency which might arise, it would be well to retain all ballots until the three year term of the director in whose election they were cast has expired.

Upon motion, it was voted to adopt the suggestion of Counsel and to address a letter to all Chairmen advising accordingly.

Memorandum from Counsel dated May 22nd submitting draft of reply to letter dated May 17th from the Federal Reserve Agent at Boston, inquiring as to the eligibility for rediscount of a note of the Great Falls Manufacturing Company of Boston, whose financial statement shows an excess of current liabilities over quick assets; the proposed reply stating that neither the law nor regulations require that a borrower's statement show an excess of quick assets over current liabilities in order that his note may be eligible for rediscount at a Federal Reserve bank, the proper test of eligibility being the purpose for which a note is issued or drawn or for which its proceeds are used, although the fact that a borrower's statement shows that current liabilities are in excess of quick assets is a matter which ordinarily would have a bearing upon the desirability or acceptability of a note from a credit

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standpoint.

Upon motion, the proposed letter was approved.

Letter dated May 21st from the Chairman of the Federal Reserve Bank of New York, replying to a request of the Vice Governor of the Board for advice as to the reason or reasons for the action of the directors of the New York bank in voting to establish the rediscount rate of 4 1/2% which the Board approved.

Ordered circulated.

Letters dated May 16th and 22nd from the Chairman and Governor of the Federal Reserve Bank of Philadelphia setting forth, in response to a request of the Vice Governor of the Board, the reasons for the action of the Philadelphia directors in voting to establish a rediscount rate of 4 1/2%.

Ordered circulated.

Letter dated May 24th from the Governor of the Federal Reserve Bank of Cleveland, setting forth the reasons for the action of the directors of that bank in voting to establish a rediscount rate of 4 1/2%.

Ordered circulated.

Letter dated May 23rd from the Governor of the Federal Reserve Bank of Boston, replying to the letter addressed to him in accordance with the instructions of the Board at its meeting on May 18th, requesting a suggested form of reply to a letter dated May 8th from the Assistant Secretary of State on the subject of a proposed Cuban banking law.

Ordered circulated.

Letter dated May 24th from the Chairman of the Federal Reserve Bank

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of New York, replying to a letter addressed to him in accordance with the instructions of the Board at its meeting on May 18th, relative to the proposal under consideration by the Board to limit, by regulation, the purchase of bonds of domestic corporations by corporations organized under Section 25 (a) of the Federal Reserve Act and the proposed amendment to Section 25 (a) which would permit corporations organized thereunder to invest up to 33 1/3 percent of capital and surplus in stock or other securities of domestic corporations engaged in domestic business.

Ordered circulated.

Memorandum addressed to the Governor by the Secretary of the Board under date of May 1st, with reference to a request of the Governor of the Federal Reserve Bank of Chicago that the Board authorize the adoption by that bank of the plan in effect at the Federal Reserve Bank of New York of reporting to the Board at the end of each month extended leaves of absence with pay on account of illness authorized by the directors during the month, in lieu of the practice in effect at all other banks of submitting individual cases for the approval of the Board; the Secretary stating that the New York arrangement appears to be a satisfactory one and suggesting that it be made effective as between the Board and the eleven other Federal Reserve banks.

Upon motion, it was voted to approve the Secretary's suggestion.

The Secretary reported that in accordance with the instructions of the Board at its meeting on April 27th, Mr. Gilbert, Supervisor of Examinations, has prepared a general analysis of the business and condition of the various outlying banks in Philadelphia which have applied for permission to carry

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reduced reserves against demand deposits. He stated, however, that Mr. Gilbert secured his data from various sources and that it is not, therefore, in the best possible shape as a basis for comparisons. Discussion of the applications ensued during which attention was called to the recommendation of the Federal Reserve Agent at Philadelphia that the Philadelphia Clearing House Association, which is interested in the applications be granted a hearing before the Board regarding them.

Following the discussion, it was voted to approve the recommendation of the Federal Reserve Agent and to request him to advise the Board of a date convenient to the Clearing House Association for such a hearing.

Draft of reply prepared by Counsel to letter dated May 7th from the Federal Reserve Agent at Chicago, commenting upon the recent ruling of the Board relative to the classification as amounts "due to banks" of deposits in member banks of mutual savings banks, Morris Plan banks, credit unions, building and loan associations and cooperative banks. The Secretary presented a memorandum from Mr. Platt suggesting that there be incorporated in the letter a statement that in any case where a Federal Reserve Agent finds a building and loan association exercising banking functions beyond those of the prevailing type a report should be made to the Board with a view to a possible exception to the ruling that deposits by such association should not be classified as amounts "due to banks".

Upon motion, the proposed letter was approved with the amendment suggested by Mr. Platt.

Report of examination of the Federal Reserve Bank of Minneapolis and its Helena Branch made as at the close of business February 15, 1928.

Referred to Committee on District #9.

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Report of examination of the Federal Reserve Bank of Chicago and its Detroit Branch made as at the close of business March 3, 1928.

Referred to Committee on District #7.

Letter dated May 25th from the Federal Reserve Agent at Chicago, advising that at the meeting of the Executive Committee of the bank held on that day he reported with respect to several member banks which are in an unsatisfactory condition; the Agent stating that with respect to the First National Bank, Richland Center, Wisconsin, the Committee voted to call the case to the attention of the Board with the recommendation that steps immediately be taken to put the institution in wholesome condition and that if that can not be speedily accomplished the charter of the institution be revoked.

After considerable discussion, it was voted that the comment and recommendation of the Executive Committee of the Federal Reserve Bank of Chicago with respect to the First National Bank of Richland Center, Wis. be referred to the Comptroller of the Currency for an expression of his opinion relative thereto.

In this connection, Messrs. James and Hamlin, members of the Board's Committees on Districts #5 and #6 referred to the reports of examination of the Federal Reserve Banks of Richmond and Atlanta referred to the Committees at the meeting on May 24th, and particularly to the lists set forth therein of banks in an unsatisfactory condition, showing impairments of capital and surplus.

After discussion, it was voted to refer the examination reports in question to the Committee on Examinations for consultation with Mr. Gilbert and report to the Board as to what action, if any, should be taken by the Board regarding member banks listed because of capital impairment or otherwise unsatisfactory condition.

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The Governor then referred to the action of the Board at its meeting on April 24th in authorizing the Executive Committee, in absence of the Board, to approve an increase in discount rate submitted by any Federal Reserve Bank. The Governor referred to the fact that only two of the Federal Reserve banks have not up to this time established a rediscount rate of 4 1/2% and to the possibility that these or other institutions may submit to the Board for approval a rate of 5%.

At the suggestion of the Governor, it was voted that the authority of the Executive Committee be limited to approval of the establishment of a discount rate of 4 1/2%.

The Secretary then reported that on May 24th the directors of the Federal Reserve Bank of Kansas City conducted a hearing on the application before them for the establishment of a Branch Federal Reserve Bank at Wichita, Kansas.

REPORTS OF STANDING COMMITTEES:

- Dated, May 26th, 28th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, May 24th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, May 16th, Recommending approval of the application of Mr. W. G. Saxton for permission to serve at the same time as officer and director of the First National Bank, Canton, Ohio, and as director of the First Trust and Savings Bank, Canton, Ohio.
Recommendation approved.
- Dated, May 16th, Recommending approval of the application of Mr. E. A. Bowman for permission to serve at the same time as director of the First National Bank, Canton, Ohio, and as director of the First Trust and Savings Bank, Canton, Ohio.
Recommendation approved.
- Dated, May 16th, Recommending approval of the application of Mr. F. E. Case for permission to serve at the same time as director of the First National Bank, Canton, Ohio and as director of the First Trust and Savings Bank, Canton, Ohio.
Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, May 23rd, Recommending approval of the application of Mr. Raymond L. Korndorfer for permission to serve at the same time as director of the National Bank of Yorkville, New York, N. Y. and as director of the Bronx County Trust Company, New York, N. Y.

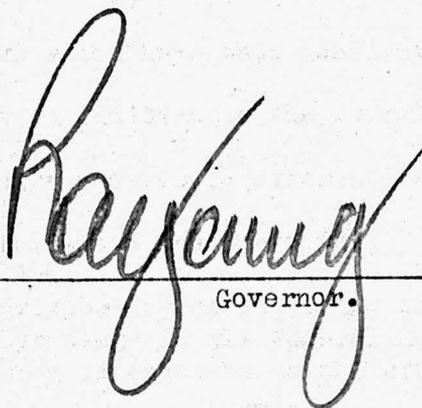
Recommendation approved.

Dated, May 25th, Recommending approval of the application of Mr. J. Willison Smith for permission to serve at the same time as director of the Corn Exchange National Bank, Philadelphia, Pa., as officer and director of the Real Estate-Land Title and Trust Company, Philadelphia, Pa. and as director of the Pennsylvania Company for Insurance on Lives and Granting Annuities, Philadelphia, Pa.

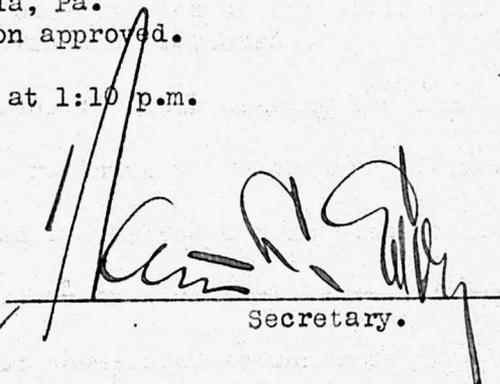
Recommendation approved.

The meeting adjourned at 1:10 p.m.

Approved:



Governor.



Secretary.