

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, June 7, 1928 at 10:30 a.m.

PRESENT: Governor Young
Mr. Platt
Mr. Hamlin
Mr. James
Mr. McIntosh
Mr. Eddy, Secretary
Mr. McClelland, Assistant Secretary

PRESENT ALSO: Honorable Newton D. Baker
Mr. Wyatt, General Counsel

Mr. Baker discussed with the members of the Board the matter reported in the memorandum from Mr. Wyatt presented at the meeting of the Board on June 1st, namely, the request of the attorneys for the organizers of the proposed United States Foreign Financing Corporation that the Board permit amendment of the articles of association and organization certificate filed by them with respect to the name, which might be changed to either "American Foreign Financing Corporation", "American Foreign Exchange Corporation" or "Foreign Financing Corporation". Mr. Baker stated that although his first reaction was to recommend that the Board not comply with the request, after further considering the matter and discussing it with Mr. Wyatt he believes that the important thing in the suit which the Board is defending is to have determined its discretion in the matter of granting charters under Section 25 (a) of the Federal Reserve Act which decision should be clear cut and not influenced by any outside factor such as the name of a proposed corporation. He, therefore, recommended that the Board authorize its counsel to address a letter to the counsel for plaintiffs in the suit, agreeing to a stipulation to the effect that the Board, subsequent to the beginning of the proceedings, has, upon application, reserved and approved the name "Foreign Financing

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Corporation" and that the pending case may proceed as though that name had been originally applied for and approved.

After further discussion, upon motion by Mr. Hamlin, it was voted to adopt this recommendation.

Messrs. Baker and Wyatt then withdrew from the meeting.

The Governor stated that due to the absence of Mr. Miller he would postpone to a later date the special order for this meeting, namely, the matter of adopting a resolution authorizing the Executive Committee, in the absence of a quorum of the Board during the summer, to act for the Board in the conduct of its general business.

The Governor also stated that he would bring up at a later date the recommendations and actions submitted to the Board by the recent Governors' Conference.

The minutes of the meeting of the Federal Reserve Board held on June 1st were read and approved, as amended.

Telegrams dated June 6th from the Chairman of the Federal Reserve Banks of Philadelphia and St. Louis, advising that their boards of directors at meetings on that date made no changes in the banks' existing schedules of rates of discount and purchase.

Without objection, noted with approval.

Matter approved on initials yesterday, namely, telegram dated June 6th from the Chairman of the Federal Reserve Bank of Kansas City, advising that the Executive Committee of the Bank, 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.

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The rate of 4 1/2% on all classes of paper of all maturities established by the Executive Committee of the Kansas City Bank, having been informally approved, effective June 7, 1928, was upon motion formally ratified.

The Secretary called attention to the fact that the telegram from the Chairman of the Kansas City bank reports that the Executive Committee also voted to establish rates of 4 1/2% for purchases of government securities and bankers acceptances under resale agreement.

Without objection, noted with approval.

Telegram dated June 7th from the Chairman of the Federal Reserve Bank of Kansas City, advising of the reasons for the action of the Executive Committee of that bank in voting to establish a rediscount rate of 4 1/2%, as follows:

"Replying your wire of yesterday, our rate action taken by Executive Committee after consultation with all directors who could be reached and was based on the consideration that although credit conditions and practices in this district do not call for a higher rate, general conditions in the district are so favorable that an increased discount rate would have no bad effect. This being the case, and believing that curtailment of purely speculative credits is desirable, we felt that this bank should not hold back in the movement for higher rates taken by all the other Federal Reserve banks, when our continuance of the lower rate might possibly interfere to some extent with the desired effect of the increases by the other eleven banks."

Noted.

Telegram dated June 6th from the Federal Reserve Agent at Dallas, advising that with the Board's permission he plans to be away from the bank from June 13th until June 18th.

Noted, without objection.

Letter dated June 4th from the Federal Reserve Agent at St. Louis, advising that if the Board has no objection he would like to begin his regular

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vacation on June 11th.

Noted, without objection.

Letter dated June 4th from the Federal Reserve Agent at St. Louis, referring to the action of the Board at its meeting on June 1st in approving payment of full salary to Mr. J. M. Mitchell, an employee of the Memphis Branch during a leave of absence on account of illness granted him by the Executive Committee of the St. Louis bank; the Agent advising that the leave of absence granted by his committee was for a period of thirty days from June 3, 1928, rather than from May 3, 1928 as reported to the Board.

Noted.

Report of Committee on Salaries and Expenditures on letter dated June 2nd 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 June 6th, with full pay, leave of absence on account of illness previously granted Mr. J. W. Rinkleff, Controller at the bank; the Board's Committee recommending approval of the salary payment involved.

Approved.

Memorandum dated June 1st from the Comptroller of the Currency, with regard to the matter referred to him at the meeting on May 28th, namely, application of the National City Bank of New York for permission to establish an additional branch in Havana, Cuba, to be located at Paseo de Marti 123 and to be known as the Plaza de la Fraternidad Branch; the Comptroller stating that inasmuch as the National City Bank has displayed ability to manage its branches properly and has ample capital and reserve

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he believes permission should be given for the establishment of the additional branch applied for.

After discussion, upon motion, the following was ordered spread upon the minutes:

"THE NATIONAL CITY BANK OF NEW YORK, having on or about May 31, 1928, filed an Application with this Board for the purpose of obtaining authority to establish a Branch in Havana, CUBA, to be known as its PLAZA DE LA FRATERNIDAD BRANCH, and the said Application having been considered; and it appearing that the said Application is properly made under the laws of the United States of America and should be granted, NOW THEREFORE, IT IS

ORDERED, that the said Application be and it hereby is approved, and that the said Bank be and it hereby is authorized to establish a Branch in Havana, CUBA, to be known as the PLAZA DE LA FRATERNIDAD BRANCH."

Matter approved on initials on June 4th, namely, telegram dated June 2nd from the Assistant Federal Reserve Agent at San Francisco, recommending approval of an application of the First Security Bank, Pocatello, Idaho, for permission to take over the First National Bank of Pocatello.

Formally approved.

Letter dated June 6th from the Deputy Governor of the Federal Reserve Bank of New York, advising of instructions received from the Bank of France to ship to Paris gold now being held earmarked for account of the Bank of France, aggregating \$93,000,000.

Noted.

Letter dated June 6th from the Assistant Attorney General, requesting an expression of the views of the Board as to the practicability of a suggestion that a regulation be issued by the Board to all Federal Reserve banks and member banks requiring that each of the reports of condition made

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by such banks shall contain a statement whether there have been any shortages, embezzlements or other violations of the Federal criminal statutes committed at their respective institutions, not theretofore reported to the Board; the Assistant Attorney General stating that failure to report when so required would in itself constitute a criminal offense under Section 5209, which would obviate a difficulty experienced by the Department of Justice in prosecuting bank officials for concealing and failing to disclose violations of Federal laws.

Referred to the Law Committee for report to the Board after consultation with the Comptroller of the Currency and the Federal Reserve banks.

Memorandum from Counsel dated June 4th referring to the action of the Board at its meeting on June 1st in voting to require a new application for membership from the Peoples Savings and Dime Bank and Trust Company of Scranton, Pa., in view of its recent consolidation with the Lincoln Trust Company of Scranton, a nonmember bank; Counsel stating that under the same statute the Provident Trust Company, a member bank, located in Philadelphia, recently consolidated with the Commonwealth Title Insurance and Trust Company, a nonmember bank, to form the Provident Trust Company of Philadelphia and that the Board may wish to require a new application for membership from the institution as was done in the Scranton case.

Upon motion, it was voted to request the Provident Trust Company of Philadelphia to file a new application for membership, advising the institution that this requirement is made as a precautionary step and requiring the bank to file merely the application itself and not the customary exhibits and supplementary information which are necessary in the case of an entirely new application.

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Memorandum dated June 5th from the Acting Comptroller of the Currency, referring to the action of the Board at its meeting on May 14th in approving an application of the Bluefield National Bank, Bluefield, W. Va., for permission to reduce its capital from \$250,000 to \$150,000, as recommended by the Comptroller, on condition that there be removed from the bank doubtful assets amounting to \$42,124.67 and assets estimated as losses amounting to \$42,840.64, such assets to be trusteeed for the benefit of the shareholders at date of reduction; the Acting Comptroller stating that the bank does not desire to trustee the assets removed or to return the balance of the reduction to the shareholders in cash but to carry the cash balance to surplus and to retain the removed assets as the property of the bank. He recommended, therefore, that the application be approved merely on condition that doubtful assets amounting to \$42,124.67 and assets estimated as losses amounting to \$42,840.64 be charged off by the reduction.

After discussion, upon motion, the Board's action of May 14th was reconsidered and the application of the Bluefield National Bank was approved, subject to the condition recommended by the Acting Comptroller in his memorandum of June 5th.

Memorandum from Counsel dated June 4th, with reference to a recent development in the case of the L. & N. Railroad Company versus the Federal Reserve Bank of Atlanta, which has been transferred to the Supreme Court of Tennessee on a constitutional question, involving the validity and effectiveness of the Board's Regulation J; Counsel stating that he believes counsel for the Federal Reserve Bank of Atlanta and its Nashville Branch are handling the case in a satisfactory manner and that he looks

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forward to a favorable decision.

Noted.

Report of examination of the Federal Reserve Bank of Cleveland and its Branches made as at the close of business April 21, 1928.

Referred to the Committee on District #4.

REPORTS OF STANDING COMMITTEES:

- Dated, June 2nd, Recommending changes in stock at Federal Reserve Banks
4th, as set forth in the Auxiliary Minute Book of this date.
5th, Recommendations approved.
- Dated, June 1st, Recommending action on applications for fiduciary powers
2nd, as set forth in the Auxiliary Minute Book of this date.
3rd, Recommendations approved.
- Dated, June 1st, Recommending approval of the application of Mr. T. J. Summers for permission to serve at the same time as director of the First National Bank, Marietta, Ohio, and as director of the First National Bank, Summerfield, Ohio.
Recommendation approved.
- Dated, June 1st, Recommending approval of the application of Mr. John D. Allison for permission to serve at the same time as director of the First National Bank, Ralston, Pa., and as director of the Lycoming Trust Company, Williamsport, Pa.
(Recommendation approved.)
- Dated, June 4th, Recommending approval of the application of Mr. A. Alex Shuford for permission to serve at the same time as director of the First National Bank, Hickory, N. C., and as director of the Atlantic Bank and Trust Company, Greensboro, N. C.
Recommendation approved.
- Dated, June 4th, Recommending approval of the application of Mr. Edgar S. Hills for permission to serve at the same time as director of the Pacific Coast Joint Stock Land Bank, Salt Lake City, Utah, as officer and director of the Deseret National Bank, Salt Lake City, Utah and as officer and director of the Deseret Savings Bank, Salt Lake City, Utah.
Recommendation approved.

The meeting adjourned at 12:00 o'clock noon.

Approved:

Ray Young

Governor.

Carl R. [Signature]

Secretary.