

A meeting of the Executive Committee of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, June 19, 1928 at 11:00 a.m.

PRESENT: Vice Governor Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Eddy, Secretary
Mr. McClelland, Assistant Secretary

Matter approved on initials on June 15th, namely, application of the Palatka Atlantic National Bank, Palatka, Florida, for original stock (72 shares) in the Federal Reserve Bank of Atlanta, effective if and when the Comptroller of the Currency issues a certificate of authority to commence business.

Formally approved.

Letter dated June 14th from the Secretary of the Federal Reserve Bank of New York, telegram dated June 14th from the Chairman of the Federal Reserve Bank of Richmond, and telegram dated June 15th from the Chairman of the Federal Reserve Bank of Chicago, 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 June 12th from the Secretary of the Federal Reserve Bank of Cleveland, advising that the board of directors of the bank on June 8th voted to establish the prevailing rediscount rate as the bank's rate for purchases of government securities under resale agreement; the Secretary stating that while the bank has no transactions of the latter character it was felt that the tying of the two rates by formal action would obviate the

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necessity of specifically changing the repurchase rate whenever there is a change in the rediscount rate.

Noted, with approval.

Letter dated June 12th from the Governor of the Federal Reserve Bank of San Francisco, submitting copy of a memorandum presented by him to the board of directors of his bank on May 31st, recommending the increase from 4 to 4 1/2% made in the rediscount rate of the bank.

Noted.

Memorandum dated June 15th from the Director of the Division of Research and Statistics, recommending the temporary appointment of Miss Mary Monica Maroney as clerk in the Division for a period of three months, beginning June 18th, with salary at the rate of \$1440 per annum.

Approved.

Memorandum dated June 18th from the Director of the Division of Research and Statistics, submitting and recommending acceptance of the resignation of Mrs. Helen S. Millard, clerk in the Division, effective at the close of business June 30th.

Accepted.

Report of Committee on Salaries and Expenditures on letter dated June 15th from the Federal Reserve Agent at Boston, requesting approval of a leave of absence of six or seven weeks beginning about August 19th for Mr. Charles F. Gettemy, Assistant Federal Reserve Agent; the Board's Committee recommending approval of the payment of full salary to Mr. Gettemy during his leave of absence.

Approved.

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Report of Committee on Salaries and Expenditures on letter dated June 13th from the Chairman of the Federal Reserve Bank of Philadelphia, requesting approval of the action of the Executive Committee of that bank in voting to extend until July 31st, with full pay, leave of absence on account of illness previously granted Mr. James A. Mullen, an employee of the night transit department; the Board's Committee recommending approval of the salary payment involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated June 15th from the Chairman of the Federal Reserve Bank of Richmond, requesting approval of the action of the board of directors of that bank in voting to extend for periods of thirty days, from May 27th and 30th respectively, leaves of absence on account of illness previously granted Miss Blanch Salmon and Mr. Asa B. Faison, employees of the bank; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated June 14th from the Federal Reserve Agent at Kansas City, requesting approval of the action of the Executive Committee of that bank in voting to extend for a period of sixty days from June 1st, with half pay, leave of absence on account of illness previously granted Mrs. Edna Sandy, an employee of the Transit Department; the Board's Committee recommending approval of the salary payment involved.

Approved.

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Report of Committee on Salaries and Expenditures on letter dated May 18th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting a list of employees for whom the directors of the bank approved leaves of absence with pay on account of illness during the month of May, where the total of such absences since January 1, 1928 has exceeded thirty days; the Board's Committee recommending approval of the salary payments involved.

Approved.

Report of Committee on Salaries and Expenditures on letter dated June 15th from the Federal Reserve Agent at Chicago, requesting approval of the action of the Executive Committee of that bank in voting to increase from \$2820 to \$3,000 per annum, effective July 1st, the salary of Mr. Carl C. Schelling, recently authorized to act for the Federal Reserve Agent in the performance of certain duties; the Board's Committee also recommending approval.

Approved.

Memorandum dated June 18th from the Assistant Chief of the Division of Bank Operations, transmitting statements of expenditures by the Federal Reserve banks for educational and welfare work, etc. during the month of May and for the five months' period ending May 31st.

Ordered circulated.

Memorandum dated June 14th from the Acting Comptroller of the Currency, recommending approval of an application of the Norfolk National Bank, Norfolk, Nebraska, for permission to reduce its capital from \$200,000 to \$100,000 on condition that no money or assets be returned to the shareholders but that the entire amount of the reduction be used in charging off certain losses and

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doubtful paper listed.

Upon motion, the reduction in capital was approved subject to the condition recommended by the Acting Comptroller.

Memorandum from Counsel dated June 15th, approved by the Law Committee, submitting draft of a letter to the Vice President of the First Federal Foreign Investment Trust, New York City, advising of the action taken by the Board on June 12th with respect to investments in bonds of domestic corporations by corporations organized under Section 25 (a) of the Federal Reserve Act.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated June 15th, submitting draft of letter to the Chairman of the First Federal Foreign Investment Trust, advising of the action taken by the Board at its meeting on June 12th in voting not to approve the proposed amendment to Section 25 (a) of the Federal Reserve Act which would authorize corporations organized thereunder to invest funds not employed in international or foreign banking or financial operations in the stock or other securities of any corporation.

After discussion, upon motion the letter submitted by Counsel was approved.

Matter referred back to the Law Committee on May 18th, namely, application for approval and reservation of the title "Federal Discount and Investment Trust" for a corporation proposed to be organized under the terms of Section 25 (a) of the Federal Reserve Act.

After discussion, upon motion by Mr. Hamlin, it was voted to advise the applicants that the Board will not approve and reserve for a corporation proposed to be organized under Section 25 (a) any title which does not include the word "foreign".

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The Secretary then presented a letter dated June 12th from Mr. Julius Spiegel of New York City, transmitting an application for approval and reservation of the title "International Mercantile Exchange Bank" for a corporation proposed to be organized under Section 25 (a).

After discussion, it was voted to refer the above application to Counsel for an opinion as to the propriety of the use of the word "bank" in the title of a corporation organized under the Edge Act.

Letter dated June 15th, addressed to Mr. Hamlin by Mr. Frederic A. Delano, Class C Director of the Federal Reserve Bank of Richmond, referring to the discussion which took place at the time of the establishment of the Charlotte Branch as to the probable expense of the Branch and transmitting a statement of operating cost for the first five months of the current year indicating that after deducting consequent shrinkage of expense at the home office the net cost of operating the branch was approximately \$4,000 per month.

Noted.

Letters dated June 12th and 14th from the Chairman of the Federal Reserve Bank of Kansas City, referring to the hearing granted by the directors of that bank on May 24th on the application for the establishment of a Branch Federal Reserve Bank at Wichita, Kansas; the Chairman advising that at an adjourned meeting of the directors held on June 11th it was voted unanimously that a branch of the Kansas City bank to be located at Wichita is not warranted and transmitting copies of letters exchanged with the Chairman of the Committee of the Wichita Clearing House Association which appeared before the Kansas City directors.

Noted.

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Memorandum from Counsel dated June 13th referring to the act of May 29, 1928, amending the third paragraph of Section 13 of the Federal Reserve Act with respect to the rediscount of sight drafts so as to authorize the rediscount of such drafts which grow out of the exportation as well as the domestic shipment of non-perishable readily marketable agricultural and other staples; Counsel stating that this act renders obsolete Section VII of the Board's Regulation A which will require slight amendment, but that he believes the matter can be dealt with for the present by a statement published in the Federal Reserve Bulletin, not requiring a revision of the entire regulations for the purpose of correcting this particular section.

After discussion, it was voted to request Counsel to prepare and submit to the Board a proposed statement for publication in the Bulletin.

Memorandum dated June 11th from Counsel submitting copy of an opinion rendered by the Supreme Court of Minnesota in the case of the Hugo state bank v. Federal Reserve Bank of Minneapolis, reversing the lower court and directing it to enter a judgment for the Federal Reserve Bank notwithstanding the verdict of the jury; Counsel stating that the opinion is completely satisfactory from the standpoint of the Federal Reserve System and recommending that it be published in the next issue of the Federal Reserve Bulletin.

After discussion, it was voted to request Counsel to prepare and submit to the Board a brief history of the case which could be published in the Bulletin along with the opinion.

Memorandum from Counsel dated June 14th submitting a bill aggregating \$15,243.86 presented by Hon. Newton D. Baker for services and expenses in connection with the Hugo case; Counsel recommending that the bill be approved and transmitted to the Federal Reserve Bank of Minneapolis for payment

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and that the other Federal Reserve banks be requested to remit to Minneapolis their pro rata shares in accordance with the usual custom in such matters.

Upon motion, the bill submitted by Mr. Baker was approved in accordance with Counsel's recommendation.

The Vice Governor then stated that the next order of business is a hearing for the purpose of showing cause why the Palmetto Bank and Trust Company, Florence, S. C. should not be required to surrender its stock in the Federal Reserve Bank of Richmond and to forfeit all rights and privileges of membership in the Federal Reserve System, since it appears to the Federal Reserve Board that the said Palmetto Bank and Trust Company has failed to comply with the provisions of Section 9 of the Federal Reserve Act in that it has failed to maintain with the Federal Reserve Bank of Richmond the reserve required by the Federal Reserve Act. No one appeared on behalf of the Palmetto Bank and Trust Company of Florence, S. C., said bank having waived its right to appear at the hearing. The Secretary of the Board, however, called attention to the fact that in a letter dated June 11th addressed to the Federal Reserve Agent at Richmond by the Vice President of the Palmetto Bank and Trust Company, waiving its right to appear at the hearing before the Board, there was transmitted copy of a formal resolution adopted by the directors of the bank authorizing the Vice President to file the regular six months' written notice of intention to withdraw from the System.

Discussion then ensued as to whether the Board should continue the proceedings already inaugurated for forfeiture of the membership of the Palmetto Bank and Trust Company or should permit the bank voluntarily to withdraw from membership under the resolution adopted by its directors.

Following the discussion, upon motion, it was voted to request the Federal Reserve Agent at Richmond to furnish the Board with a recommendation of his directors in the matter,

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advising him that the Board is disposed to permit voluntary withdrawal by the bank.

The Secretary then presented an informal inquiry addressed to him by the Federal Reserve Agent at Richmond, with reference to the proper classification for reserve purposes of partial payments received by banks engaged in the practice of making small character loans, as an inducement for which and to better secure same the maker of the note agrees to deposit monthly in a special account in the savings department of the bank a certain sum until the total of the face amount of the note shall have been deposited, at which time the account is used for the purpose of meeting the customer's note.

Referred to Counsel.

Letter dated June 16th addressed to the Secretary of the Treasury by the Acting Attorney General of the United States, inquiring whether there is any objection at this time to publication of the opinion rendered under date of February 18, 1928 with respect to the authority of the Federal Reserve Board over state member banks with regard to the purchase and ownership of stock in other banks; the Acting Attorney General referring to the letter addressed to him in accordance with the action of the Board at its meeting on March 6th, advising that for administrative reasons it was believed better not to publish the opinion at that time.

After discussion, upon motion, it was voted to advise the Secretary of the Treasury that there is now no objection on the part of the Board to publication of the opinion by the Attorney General.

Matter ordered circulated at the meeting on May 28th, namely, letter dated May 23rd from the Governor of the Federal Reserve Bank of Boston, with

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reference to letter dated May 8th from the Assistant Secretary of State requesting comment by the Board concerning the recent decree of the President of Cuba establishing a Commission for the purpose of further study of the proposed Cuban banking law which has been pending for several years; the Governor of the Boston bank stating that the proposed law is a revision of a bill prepared by him in 1922 containing, however, such drastic changes that he finds himself unable to make a favorable report on it. He referred particularly to a provision that a portion of the stock of the proposed Cuban central bank should be owned by the Federal Reserve banks. The Secretary called attention to the fact that following consideration of the proposed Cuban banking law on May 7, 1923, the Department of State was advised that there is no authority under the Federal Reserve Act for the investment of funds of the Federal Reserve banks in the capital stock of foreign banking corporations and that the Board would not be disposed to ask Congress for an amendment to the Federal Reserve Act for the purpose of granting such authority.

After discussion, it was voted to transmit to the Department of State confidentially a copy of the letter from the Governor of the Boston bank and at the same time to call attention to the letter addressed to the Department under date of May 15, 1923.

REPORTS OF STANDING COMMITTEES:

Dated, June 13th, Recommending changes in stock at Federal Reserve banks as
 14th, set forth in the Auxiliary Minute Book of this date.
 15th, Recommendations approved.
 16th,
 18th,

Dated, June 13th, Recommending action on applications for fiduciary powers
 14th, as set forth in the Auxiliary Minute Book of this date.
 15th, Recommendations approved.
 18th,

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REPORTS OF STANDING COMMITTEES: (Cont'd)

- Dated, June 14th, 16th, Recommending action on applications for admission of state banks, subject to the conditions stated in the individual reports attached to the applications, as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.
- Dated, June 13th, Recommending approval of the application of Mr. James A. Eldredge for permission to serve at the same time as director of the Deseret National Bank, Salt Lake City, Utah and as director of the Deseret Savings Bank, Salt Lake City, Utah.
Recommendation approved.
- Dated, June 13th, Recommending approval of the application of Mr. Edward E. Jenkins for permission to serve at the same time as director of the Deseret National Bank, Salt Lake City, Utah, and as director of the Deseret Savings Bank, Salt Lake City, Utah.
Recommendation approved.
- Dated, June 13th, Recommending approval of the application of Mr. Henry H. Rolapp for permission to serve at the same time as director of the Deseret National Bank, Salt Lake City, Utah, and as director of the Deseret Savings Bank, Salt Lake City, Utah.
Recommendation approved.
- Dated, June 13th, Recommending approval of the application of Mr. Charles M. Mindnich for permission to serve at the same time as director and officer of the Hudson County National Bank, Jersey City, N. J., and as director and officer of the Highland Trust Company, Union City, N. J.
Recommendation approved.
- Dated, June 13th, Recommending approval of the application of Mr. Louis L. Schmitt for permission to serve at the same time as director of the Hudson County National Bank, Jersey City, N. J., and as director and officer of the Highland Trust Company, Union City, N. J.
Recommendation approved.
- Dated, June 13th, Recommending approval of the application of Mr. Joseph A. Nevin for permission to serve at the same time as director of the Hudson County National Bank, Jersey City, N. J., and as director of the Highland Trust Company, Union City, N. J.
Recommendation approved.
- Dated, June 13th, Recommending approval of the application of Mr. Frederick D. Gardner for permission to serve at the same time as director of the North Texas National Bank, Dallas, Texas and as director of the Mississippi Valley Trust Company, St. Louis, Mo.
Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, June 13th, Recommending approval of the application of Mr. Harvey A. Gross for permission to serve at the same time as director of the York Trust Company, York, Pa. and as director of the Dover National Bank, Dover, Pa.

Recommendation approved.

Dated, June 13th, Recommending approval of the application of Mr. John M. Enright for permission to serve at the same time as director of the Hudson County National Bank, Jersey City, N. J., as director of the Bank of Lafayette, Jersey City, N. J., and as director of the Central National Bank, Freehold, N. J.

Recommendation approved.

Dated, June 16th, Recommending approval of the application of Mr. Archie E. Noble for permission to serve at the same time as director of the Waltham Trust Company, Waltham, Mass., and as director of the Union Market National Bank, Watertown, Mass.

Recommendation approved.

Dated, June 18th, Recommending approval of the application of Mr. Stanley A. Longmoor for permission to serve at the same time as officer and director of the North Texas National Bank, Dallas Texas and as director of the Wolfe City National Bank, Wolfe City, Texas.

Recommendation approved.

Dated, June 18th, Recommending approval of the application of Mr. Ben C. Ball for permission to serve at the same time as officer of the North Texas National Bank, Dallas, Texas and as director of the Wolfe City National Bank, Wolfe City, Texas.

Recommendation approved.

Dated, June 18th, Recommending approval of the application of Mr. W. T. Tredway for permission to serve at the same time as director of the Potter Title and Trust Company, Pittsburgh, Pa. and as director and solicitor of the Coraopolis National Bank, Coraopolis, Pa.

Recommendation approved.

Dated, June 18th, Recommending approval of the application of Mr. T. A. Morrissey for permission to serve at the same time as director and officer of the Pacific National Bank, Los Angeles, Cal. and as director and officer of the First National Bank of Arizona, Phoenix, Arizona.

Recommendation approved.

Dated, June 18th, Recommending approval of the application of Mr. S. Waldo Coleman for permission to serve at the same time as director of the Bank of California, N. A., San Francisco, Cal., and as director of the County First National Bank, Santa Cruz, Cal.

Recommendation approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

- Dated, June 18th, Recommending approval of the application of Mr. Harry Needle for permission to serve at the same time as director of the Anthracite Trust Company, Scranton, Pa. and as director of the First National Bank, Olyphant, Pa.
Recommendation approved.
- Dated, June 18th, Recommending approval of the application of Mr. John S. Akers for permission to serve at the same time as director of the Louisville Trust Company, Louisville, Ky., and as director and officer of the National Bank of Kentucky, Louisville, Ky.
Recommendation approved.
- Dated, June 18th, Recommending approval of the application of Mr. James J. Hayes for permission to serve at the same time as director and officer of the National Bank of Kentucky, Louisville, Ky., and as director of the Louisville Trust Company, Louisville, Ky.
Recommendation approved.
- Dated, June 18th, Recommending approval of the application of Mr. T. B. Benson for permission to serve at the same time as director of the North Texas National Bank, Dallas, Texas, as director and officer of the Bartlett National Bank, Bartlett, Texas and as director and officer of the First National Bank, Schwertner, Texas.
Recommendation approved.
- Dated, June 18th, Recommending approval of the application of Mr. Scott H. Nesbit for permission to serve at the same time as officer of the Bank of Pittsburgh, N. A., Pittsburgh, Pa. and as director of the Peoples National Bank, Warrenton, Va.
Recommendation approved.
- Dated, June 18th, Recommending approval of the application of Mr. J. Raymond Tiffany for permission to serve at the same time as director of the Second Bank and Trust Company, Hoboken, N. J., and as director of the Hamilton National Bank, Weehawken, N. J.
Recommendation approved.
- Dated, June 18th, Recommending approval of the application of Mr. Effingham B. Morris, Jr., for permission to serve at the same time as director of the First National Bank, Philadelphia, Pa. and as director and officer of the Girard Trust Company, Philadelphia, Pa.
Recommendation approved.
- Dated, June 18th, Recommending approval of the application of Mr. Leo Wolf for permission to serve at the same time as director and officer of the First National Bank, Gary, Indiana, and as director of the Hammond National Bank and Trust Company, Hammond, Ind.
Recommendation approved.
- Dated, June 18th, Recommending approval of the application of Mr. Thomas Youngman for permission to serve at the same time as

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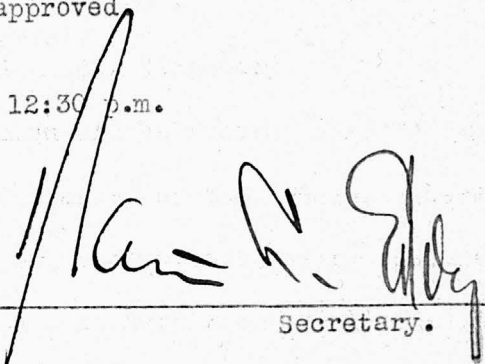
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REPORTS OF STANDING COMMITTEES: (Cont'd)


director of the Ventnor City National Bank, Ventnor City, N. J., and as director of the Atlantic Safe Deposit and Trust Company, Atlantic City, N. J.

Recommendation approved.

The meeting adjourned at 12:30 p.m.


Secretary.

Approved:


Vice Governor.