

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Monday, July 30, 1928 at 12:00 o'clock noon.

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

Letters dated July 26th from the Chairman of the Federal Reserve Bank of Boston, from the Governor of the Federal Reserve Bank of Cleveland, from the Assistant Federal Reserve Agent at Kansas City, and from the Assistant Federal Reserve Agent at Dallas, all advising of the establishment, effective July 26th, of the following rates for purchases of bankers' acceptances:

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

Without objection, noted with approval.

Letter dated July 27th, from the Federal Reserve Agent at Chicago, advising of the establishment on that date of the following rates for purchases of bankers' acceptances:

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

Without objection, noted with approval.

Telegram dated July 27th, from the Federal Reserve Agent at Chicago, advising that the board of directors at its meeting on that date made no change in the bank's existing schedule of rates of discount and purchase.

Without objection, noted with approval.

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The Secretary then presented the application of the First National Bank of Osmond, Osmond, Nebraska, for permission to exercise general fiduciary powers, together with a divided report thereon by the Law Committee - Mr. Hamlin recommending approval of the application and Mr. Platt stating that he is unwilling to approve it because of the size of the bank, which has a capital account of only \$25,000.

After discussion, upon motion the application was approved, Mr. Platt voting "no".

Report of Committee on Salaries and Expenditures on letter dated July 27th, from the Chairman of the Federal Reserve Bank of Chicago, transmitting list of employees for whom the directors of that bank authorized leaves of absence on account of illness during the period June 22nd to July 26th, 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 Examinations on letter dated July 27th, from the Assistant Federal Reserve Agent at New York, transmitting and recommending approval of an application of the Franklin Bank and Trust Company, Newark, N. J., a member bank, for approval of a merger on July 21st, with the Washington Trust Company, Newark, N. J., a nonmember, under the title "Franklin-Washington Trust Company"; the Board's Committee also recommending approval.

Approved.

Memorandum dated July 25th, from the Director of the Division of Research and Statistics, requesting authority for the purchase of a calculating machine and stand, at a cost of \$545.50; the Director stating that this

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purchase will exceed the Division's budget for equipment for the year by about \$400.00, but can be taken care of by the transfer to the equipment budget of unused portions of the budgets for other non-personal items. The Secretary reported that the Director wishes to cover the purchase by the transfer of \$400.00 from the budget for communication.

Upon motion, the expenditure was approved.

Memorandum from Counsel dated July 26th, with respect to the argument on July 24th of the case brought by depositors of the insolvent Neoga National Bank, Neoga, Illinois against the directors of that bank and the Federal Reserve Bank of Chicago.

Ordered circulated.

The Secretary then presented draft of a letter, approved by the Executive Committee, to the Federal Reserve Agent at Dallas, with respect to the propriety of contributions to the New York Journal of Commerce by the Chief of the Agent's Statistical Division; the proposed reply stating that the Board believes the arrangement would be undesirable.

Approved.

Letter dated July 16th from the Under Secretary of the Treasury, stating that it has just come to his attention that the new designs for the reduced size currency, including Federal reserve notes, have never formally been presented to the Board; the Under Secretary expressing the hope that the Board will find it possible to give an expression of its approval of the new designs.

The Secretary presented to each member of the Board the new designs for the various denominations and kinds

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of currency and discussion ensued following which, upon motion, the designs were approved, Mr. Platt voting "no".

The Secretary then presented an application of the National City Bank of New York for permission to establish branches in Armenia, Barranquilla, Bogota, Buenaventura, Cali, Cartagena, Manizales, Medellin and Pereria, Republic of Colombia. He stated that in accordance with the directions of the Executive Committee, at its meeting on July 9th, this application was referred to the Comptroller of the Currency and the Federal Reserve Bank of New York, and both have signified to the Board their approval of the same.

Upon motion, the following was then ordered spread upon the minutes:

"THE NATIONAL CITY BANK OF NEW YORK, having on or about June 29th, 1928, filed an Application with this Board for the purpose of obtaining authority to establish certain Branches in the REPUBLIC OF COLOMBIA, 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 hereby is approved, and that the said Bank be and hereby is authorized to establish Branches in Armenia, Barranguilla, Bogota, Buenaventura, Cali, Cartagena, Manizales, Medellin and Pereria, REPUBLIC OF COLOMBIA."

Letter dated July 19th from Fraser, Myers and Manley, Attorneys of New York City, requesting a copy of the Articles of Association of the Federal International Banking Corporation of New Orleans, La. The Secretary reported that the corporation in question was organized under the Edge Act, and several years ago went into voluntary liquidation. He also reported that Counsel sees no legal objection to compliance with the request.

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Upon motion, the Secretary was authorized to furnish a copy of the document in question.

Memorandum from Counsel, dated July 23rd, submitting a proposed amendment to Section IV, of the Board's Regulation "K", relating to titles of corporations organized under the Edge Act, prepared in accordance with the instructions of the Board, at its meeting on July 17th.

Referred to the Law Committee.

Letter dated July 17th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting copies of a translation of the new French Monetary Law and the agreement entered into between the Government and the Bank of France.

Ordered circulated.

Matter ordered circulated at the meeting on July 10th, namely, letter dated June 22nd from Mr. Fred I. Kent, transmitting copy of a communication addressed by him on July 19, 1924, to the Federal Reserve Agent at Boston, with respect to the counting by member banks in the computation of reserves of balances with foreign banks. The Secretary stated that the Board, on June 12th, referred to the Federal Reserve Agent at New York Mr. Kent's suggestion that it revoke the ruling adopted in 1919, that for the purpose of figuring reserve requirements balances due from foreign banks cannot be deducted from balances due to other banks, and that a letter has been received from the Federal Reserve Agent expressing the opinion that the ruling in question should not be revoked.

After discussion, upon motion it was voted that the question of the revocation of the Board's ruling be referred to the Fall Conference of Governors, and Federal Reserve Agents and to the next meeting of the Federal Advisory Council.

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Memorandum from Counsel dated July 16th on the matter referred to him at the meeting on June 19th, namely, an inquiry from the Federal Reserve Agent at Richmond, with reference to the proper classification for reserve purposes of the partial payments received by member banks in connection with the "small loan" business which is developing; Counsel expressing the opinion that reserves should be maintained against these deposits from both a technical and practical standpoint and, further, that whether they are time or demand deposits should be determined in accordance with the usual practice laid down in the Board's Regulation "D".

Upon motion, it was voted to adopt Counsel's opinion and advise the Federal Reserve Agent at Richmond accordingly.

Memorandum from Counsel dated June 21st, submitting, in accordance with the action of the Board at its meeting on May 29th, draft of a proposed new section to be included in the Board's Regulation "A", which would fix seven days as the minimum limitation on advances by Federal Reserve Banks to member banks on their promissory notes secured by eligible paper or government securities. The Secretary also presented draft of a letter to the Federal Reserve Agent at New York requesting him to submit the proposed new regulation to his board of directors for an expression of opinion.

After considerable discussion, it was voted instead to refer the proposed new regulation to the Fall Conference of Governors and Federal Reserve Agents and to the next meeting of the Federal Advisory Council.

Matter on which action was deferred at the meeting of the Executive Committee on July 9th, namely, letter dated July 5th, from the Federal Reserve Agent at Philadelphia requesting approval of an increase from \$7,000 to \$8,000

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per annum in the salary of Mr. E. C. Hill, Assistant Federal Reserve Agent in charge of bank examinations.

After considerable discussion, it was voted to approve a salary of \$8,000 per annum for Mr. Hill, effective August 1, 1928. It was also voted to advise the Federal Reserve Agent that this action is taken by the Board reluctantly for the reason that it has several times requested the directors of the Federal Reserve Banks to adjust official and clerical salaries annually on January 1st, except in emergency cases, and further, that the Board does not regard the case under consideration as an emergency one and again requests that such matters in the future be submitted to it at the first of the year.

Draft of circular letter to the Governors of all Federal Reserve Banks requesting that a representative be designated by each bank to serve upon a committee to be appointed by the Board for the purpose of studying the question of the adoption of a plan for grade classification of the personnel of the Federal Reserve Banks along the lines of the classification plan in effect at the Federal Reserve Bank of New York.

Approved.

Memorandum from Counsel dated June 15th, submitting draft of a letter to the Assistant Federal Reserve Agent at San Francisco, prepared in accordance with the action of the Board at its meeting on June 12th, with respect to the classification of certain deposits of the Tracy Loan and Trust Company, Salt Lake City, Utah.

Upon motion, the letter was approved as submitted.

Memorandum from Counsel dated June 27th, submitting drafts of letters to several national banks located in Pennsylvania, with reference to the matter of investing small cash balances of trust estates in such a manner as to bring in the maximum obtainable income for such estates on the balances;

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the proposed letters (1) expressing the Board's disapproval of a proposed plan whereby the balances would be deposited in the commercial departments of the banks, against the issue of a time certificate of deposit, secured by the deposit in the trust department of first mortgage real estate notes evidencing loans made in accordance with Section 24 of the Federal Reserve Act, and (2) suggesting modification of another proposal submitted, which as modified would meet the approval of the Board, whereby the first mortgage real estate notes themselves would be ear-marked and clearly shown by the records of the trust department as held for a particular group of participating estates, each with a share therein, principal payments on any such mortgage to be retained in a fund and reinvested as soon as practicable. In his memorandum, Counsel suggested that inasmuch as the matter is one involving the operation of national banks it would seem advisable to refer the proposed letters to the Comptroller of the Currency for his approval before they are transmitted.

Upon motion, in accordance with Counsel's suggestion, the proposed letters were referred to the Comptroller.

Letter dated July 24th, from the Secretary of the Federal Advisory Council, transmitting copies of a brief prepared by the Council, in accordance with the action taken at its meeting on May 18, 1928, on the question of the desirability of the Board requiring member banks in Federal Reserve Bank and Branch Bank cities and in other cities designated from time to time, to calculate their lawful reserves daily instead of on an average semi-weekly basis as at present.

Upon motion, copies of the brief were ordered distributed among the members of the Board, and action thereon was deferred.

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Letter dated July 27th from the Chairman of the Federal Reserve Bank of New York, advising that his term of office as a member of the General Council of the Reichsbank will expire in October and that he would like, at the request of the President of the Reichsbank and the Agent General for Reparations, to be permitted to serve on the Council for at least another year, inasmuch as 1929 will be what is known as the standard year in which will expire the dates originally fixed for the determination of the amount of German Reparations.

After discussion, upon motion it was voted to advise Mr. McGarrah that the Federal Reserve Board will interpose no objection to his continuing to serve as a member of the General Council of the Reichsbank at least until October 1929.

The minutes of the meeting of the Federal Reserve Board, held on July 10th, were then read and approved.

Upon motion, it was unanimously voted to adopt the following amendment to Article 6 of the by-laws of the Board, tentatively approved at that meeting:

"PROVIDED, however, that if only two of the appointive members of the Board are in Washington such two members may act as an interim committee and exercise the powers and discharge the duties of the Executive Committee. Any action taken by such interim committee of two members, however, shall not be finally effective unless and until ratified by the Board. At the next regular meeting of the Board there shall be reported to it for ratification all actions taken by such interim committee of two members since the last regular meeting of the Board. Upon ratification by the Board, all actions taken by such interim committee of two members shall have the same force and effect as actions taken by the Board itself and shall be effective as of the date such action was taken by the interim committee of two members unless otherwise specifically provided by the Board."

The minutes of the meetings of the Executive Committee, held on July 12th, 13th, 17th and 18th were read, and upon motion, the actions recorded

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therein were ratified.

The minutes of the meetings of the Federal Reserve Board, held on July 18th, were then read and approved.

The minutes of the meeting of the Executive Committee held on July 27th were read, and upon motion, the actions recorded therein were ratified.

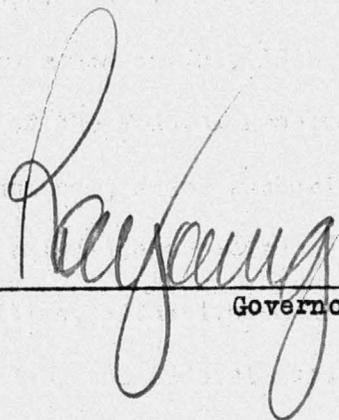
REPORTS OF STANDING COMMITTEES:

Dated, July 27th, Recommending changes in stock at Federal Reserve Banks  
28th, as set forth in the Auxiliary Minute Book of this date.  
30th, Recommendations approved.

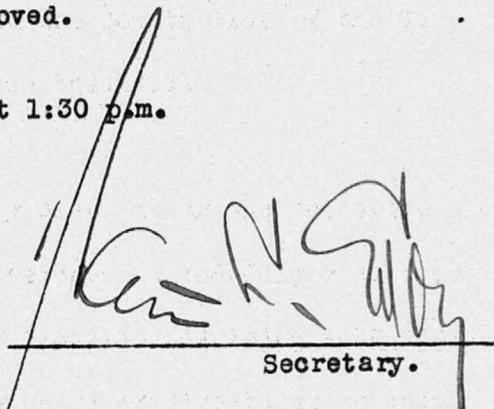
Dated, July 25th, Recommending action on applications for fiduciary powers  
27th, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.

The meeting adjourned at 1:30 p.m.

Approved:



Governor.



Secretary.