

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, September 26, 1928 at 10:30 a.m.

PRESENT: The Chairman  
Governor Young  
Mr. Platt  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Cunningham  
Mr. McIntosh  
Mr. Noell, Asst. Secretary  
Mr. McClelland, Asst. Secretary

PRESENT ALSO: Mr. Mills, Undersecretary of the Treasury  
Mr. Goldenweiser, Director of the Division  
of Research and Statistics  
Messrs. Smead, Herson, Gilbert, Vest,  
Wingfield and Thomas.

Mr. Goldenweiser made a statement to the Board regarding business and credit conditions, and following his statement discussed with the individual members of the Board possible future developments.

At the conclusion of the discussion, all except the members of the Board left the meeting.

The Governor then reported telephone advice received from the Governor of the Federal Reserve Bank of Cleveland that there is some feeling at that bank in favor of a reduction in the rediscount rate to  $4\frac{1}{2}\%$ . He stated that no action will be taken until the board of directors of the bank meets next week but that the matter will be considered at a meeting of the Executive Committee today.

A discussion ensued as to the advisability of a reduction in discount rate at any Federal Reserve bank at this time.

Following the discussion, Mr. James moved that the Board request the directors of all Federal Reserve banks when communicating to the Board advice of a change in rates to accompany such advice by a statement of the reasons for their action.

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Mr. James' motion being put by the Chair was carried, Mr. Platt voting "no".

Upon motion, it was then voted that the Governor prepare and submit to the Board a form of letter to all Federal Reserve banks advising of the above action.

The Chairman and Mr. McIntosh then left the meeting.

Telegram dated September 19th from the Chairman of the Federal Reserve Bank of Philadelphia, telegram dated September 19th from the Chairman of the Federal Reserve Bank of St. Louis and telegram dated September 20th from the Chairman of the Federal Reserve Bank of San Francisco, 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.

The Secretary then submitted an application of the Union National Bank of Jersey Shore, Pa., a newly organized bank, for permission to exercise general fiduciary powers, stating that in accordance with the usual procedure the application was referred to the Comptroller of the Currency who recommended that it be approved, but that when the attention of the Comptroller was called to the fact that the surplus of the bank is less than 20% of its capital he reversed his recommendation and expressed the opinion that the bank should be advised that the Board will require a surplus fund equal at least to 20% of its capital before authorizing it to exercise trust powers.

Upon motion, it was voted that action on the above application be deferred.

Matter approved on initials on September 19th, namely, application of the Union Trust Company of Newark, Ohio for membership in the Federal Reserve

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System and for 216 shares of stock in the Federal Reserve Bank of Cleveland; the application having been approved subject to the regular conditions of membership contained in the Board's Regulation "H" and the additional condition that prior to the payment of a dividend the bank shall carry to surplus account not less than one-tenth part of its net profits for the preceding dividend period until its surplus fund shall amount to 20% of its capital stock.

Formally approved.

Memorandum dated September 20th from the Chief of the Division of Bank Operations, recommending acceptance of the resignation of Mr. Thomas E. Ramsey, clerk in the Division, effective at the close of business September 22nd.

Accepted.

Memorandum dated September 21st from the Chief of the Division of Bank Operations, recommending the appointment of Mr. Meredith F. Foster as clerk in the Division at a salary of \$1500 per annum, effective October 1, 1928.

Approved.

Report of Executive Committee on letter dated September 20th from the Acting Comptroller of the Currency, recommending approval of a salary of \$5,500 per annum for National Bank Examiner Max C. Wilde, assigned to the Twelfth Federal Reserve District; the Board's Committee also recommending approval.

Approved.

Bond of Mr. John R. Mitchell, Federal Reserve Agent at Minneapolis, executed under date of September 8, 1928 in the amount of \$100,000.

Approved.

Matter approved on initials on September 21st, namely, letter dated

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September 19th from the Federal Reserve Agent at Kansas City, requesting approval of the designation of certain employees of the bank listed therein as Assistant Examiners in connection with a credit investigation of the Commerce Trust Company of Kansas City to be made in conjunction with an examination of the institution by the State Banking Department.

Formally approved.

Matter approved on initials on September 25th, namely, reply to telegram dated September 24th from the Governor of the Federal Reserve Bank of Atlanta, requesting permission to discount \$1,000,000 of eligible paper for the Federal Intermediate Credit Bank of New Orleans although the reserves of the Federal Reserve bank amount to less than 50% of its aggregate liabilities for deposits and Federal Reserve notes in actual circulation; the reply granting the permission requested.

Formally approved.

Matter approved on initials on September 25th, namely, reply to telegram dated September 24th from the Federal Reserve Agent at Dallas, inquiring whether the Board has any objection to his complying with a request that he prepare a short article on agricultural, industrial and commercial conditions in the Eleventh District for use in a special edition of a Dallas newspaper, the purpose of which is to show, if possible, that a presidential election year has no bearing on actual prosperity in the District; the reply stating that the Board has no objection to the Federal Reserve Agent furnishing facts with regard to business conditions in his District, but believes that it would not be advisable for him to so frame his article as to show that a presidential election year has no bearing on the prosperity of the District.



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Formally approved.

Memorandum dated September 20th from the Fiscal Agent, requesting that the Board authorize payments aggregating \$4,803.03 to the Federal Reserve Banks of Boston, Philadelphia, Cleveland and Richmond, to cover the actual travel and subsistence expenses of employees of those banks loaned to the Board to assist in the recent examination of the Federal Reserve Bank of New York.

Approved.

The Assistant Secretary then submitted the revised form of condition report for use of state bank and trust company members, together with copies of instructions governing preparation of the report, copies of which, he stated, have previously been furnished to members of the Board by Mr. Smead and informally approved by them.

Upon motion, the new condition report was formally approved.

Letter dated September 21st from the Federal Reserve Agent at Chicago, with reference to continued deficiencies in reserves on the part of the Citizens National Bank, Hope, Indiana; the Agent stating that in accordance with the Board's Regulations letters were addressed to each director of the bank and replies thus far received indicate that the matter will be given proper attention.

Noted.

Letter dated September 17th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting an application by member banks in Albany, N. Y. for the termination of the classification of Albany as a reserve city.

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After discussion, upon motion, it was voted to request the Federal Reserve Bank of New York to furnish the Board with a recommendation regarding the application.

Letter dated September 19th from the Federal Reserve Agent at St. Louis, with reference to a hearing held by him on that date at which the Cashier of the American Bank and Trust Company, Paris, Ark. appeared to show cause why that bank should not forfeit all rights and privileges of membership in the Federal Reserve System, the hearing being a continuation of that held by the Federal Reserve Agent on May 28, 1928; the Agent stating that some improvement in the condition of the bank has been effected and recommending, in view of its desire to remain a member of the Federal Reserve System and the prospects for further improvement, that the hearing before him be again continued until March 12, 1929 at 11:00 a.m.

After discussion, upon motion, it was voted to again postpone the Board's hearing in the above case, which had been fixed for September 25, 1928 at 11:00 o'clock, until 11:00 o'clock on the morning of March 19, 1929 and to advise the American Bank and Trust Company that if it desires it may waive its right to appear before the Board and may appear before the Federal Reserve Agent at St. Louis in his office on the morning of March 12, 1929.

Memorandum from Counsel dated September 20th with reference to the Clayton Act application of Mr. Louis F. Kraemer, involving the Reading National Bank and the Colonial Trust Company, both of Reading, Pa.; Counsel stating that there is no legal reason why the application should not be approved if in the Board's judgment the granting of the permit applied for would not be incompatible with the public interest and that the Federal Reserve Agent at Philadelphia recommends approval, stating that he does not think it would result in a restriction of competition or a change in the character of the service now being rendered by the two institutions.

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After discussion, upon recommendation by the Law Committee, Mr. Kraemer's application was approved.

Draft of letter to all Governors and Federal Reserve Agents prepared by Counsel, in accordance with the instructions of the Executive Committee at its meeting on September 14th, requesting consideration at the forthcoming conferences of a suggestion that Section 9 of the Board's Regulation "A" be so amended as to except from the prohibition on the discount of paper bearing the signature or endorsement of non-member banks bills payable at sight or on demand of the kind described in Section 7 of the Regulation; the letter also submitting a proposed amendment to Section 7 to meet the amendment to the Federal Reserve Act approved May 29, 1928 making eligible for discount sight or demand drafts properly secured by shipping documents, which arise out of the exportation, as well as the domestic shipment, of non-perishable readily marketable staples, whether or not such staples are of an agricultural character.

Upon motion, the letter submitted by Counsel was approved.

Memorandum from Counsel dated September 20th, submitting articles of association and organization certificate of the Federal International Investment Trust which is proposed to organize with the Board's approval under Section 25 (a) of the Federal Reserve Act; Counsel stating that the articles and organization certificate are in proper form and that he knows of no legal reason why they should not be approved by the Board. In his memorandum Counsel called attention to a brief description of the proposed business of the Corporation furnished by the organizers and to the fact that the Board before acting upon previous applications for the organization of Edge Act corporations has



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caused an investigation to be made of the personnel connected with the proposed corporation.

Upon motion, it was voted that the Federal Reserve Agent at New York be requested to investigate the organizers of the proposed corporation and to report thereon to the Board.

Memorandum from Counsel dated September 11th, with reference to letter dated September 7th from the Equitable Eastern Banking Corporation, New York City, requesting permission to use reserves against deposits and acceptances, demand loans against acceptances and demand loans against stock exchange collateral; Counsel stating that under the agreement entered into with the Board by the Equitable Eastern Banking Corporation and other foreign banking corporations organized under State law, reserves must be maintained against domestic deposits in the amount required of member banks in central reserve cities, and against acceptances of 15% against those maturing in thirty days or less and 30% against those maturing in more than thirty days; reserves against acceptances being permitted either in the form of (1) cash; (2) balances in other banks; (3) bankers' acceptances; and (4) such securities as the Board may from time to time permit; and, further that in 1924 the Board permitted certain foreign corporations operating under agreement with it to maintain reserves against domestic deposits in the form of call loans to discount corporations and bill brokers secured by eligible acceptances, as well as in the form of bank balances. In his memorandum, Counsel pointed out that although the request of the Equitable Eastern Banking Corporation goes beyond the scope of the action taken by the Board in 1924, there is no legal reason why the desired permission should not be granted.



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After discussion, upon recommendation of the Law Committee, it was voted to refer the request of the Equitable Eastern Banking Corporation to the Federal Reserve Bank of New York for an expression of opinion.

Memorandum from Counsel dated September 12th, submitting letter received from Mr. Jesse C. Duke, Attorney for the Reserve Finance Corporation, Arlington, Va., in reply to a communication addressed to him under the authority granted by the Executive Committee at its meeting on August 23rd, with reference to the use of the word "Reserve" in the title of the corporation mentioned; Counsel stating that the reply is indefinite and evasive and recommending that the matter be referred to the Attorney General of the United States for such action as he may deem advisable.

Upon motion, Counsel's recommendation was approved and a proposed letter to the Attorney General submitted by him was ordered transmitted.

Memorandum from Counsel dated September 11th, submitting draft of letter to the American Bank Note Company, Chicago, Ill., regarding a suggestion recently made to a member bank by a representative of the Company that if the bank would print on its time certificates of deposit the words "This certificate is subject to the provisions of Section 19 of the Federal Reserve Act", it would not be necessary to consider the amount of such certificates maturing within thirty days as demand deposits; the proposed letter advising that the statement is not correct and that the incorporation of the words suggested would not affect in any way the classification of the deposit represented by the certificate.

Upon motion, the letter submitted by Counsel was approved.

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Memorandum from Counsel dated September 17th, advising of suits brought against the Federal Reserve Bank of Chicago by Jennie E. Bull and I. T. Bull, respectively, for recovery of liberty bonds, or the value thereof, deposited for safekeeping with the First National Bank of Shenandoah, Iowa, which, before insolvency pledged said bonds with the Federal Reserve Bank of Chicago as collateral to its own promissory note without the authority or knowledge of the plaintiff; Counsel stating it is not believed that the questions involved in the suit are of sufficient importance to justify the employment of special counsel, but that counsel for all Federal Reserve banks have been furnished with copies of the petition and have been requested to submit any suggestions they may have to Counsel for the Chicago Bank.

Noted.

Memorandum dated September 22nd from Mr. Herson, Chief Examiner, and Mr. Gilbert, Supervisor of Examinations, submitted in accordance with the instructions of the Board at its meeting on September 17th, advising that an analysis of reports of recent examinations of the Continental National Bank and Trust Company and the Illinois Merchants Trust Company, both of Chicago, Ill., discloses them to be ably and conservatively managed banks with very substantial earning power and in excellent liquid condition; the memorandum stating that it appears reasonable to conclude that the past record insures a continuation of the present high standard of operation if the institutions are merged and recommending that the Board approve the application for membership of the consolidated bank when received.

Noted.

The minutes of the meeting of the Federal Reserve Board held on

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September 18th were read and approved.

The Governor called attention to the fact that the Federal Advisory Council will meet in Washington on Friday, September 28th.

He also stated that a committee appointed by the directors of the Federal Reserve Bank of Atlanta will be in Washington on October 5th for the purpose of discussing with the members of the Board the question of non-cash collections.

The Governor stated that Messrs. Platt and James, members of the Board's Committee on Examinations, who on June 13, 1928 were requested to report to the Board with respect to the work to be undertaken by Mr. Gilbert, the Board's Supervisor of Examinations, have requested that the subject be fully discussed and considered by the Board itself. He stated that he accordingly requested Mr. Gilbert to prepare a memorandum in some detail with respect to the proper function of the Board in connection with the examination of State member banks, and would like to have the subject taken up as special order of business at a meeting of the Board in the near future. October 4th, being agreeable to all members of the Board, was fixed by the Governor as the date for the special order.

REPORTS OF STANDING COMMITTEES:

- Dated, September 22nd, 25th, 26th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.
- Dated, September 17th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.  
Recommendation approved.
- Dated, September 25th, Recommending action on 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.



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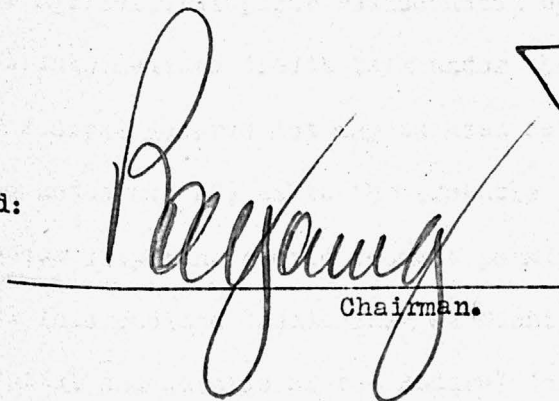
REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, September 15th, Recommending approval of the application of Mr. Arthur T. Vanderbilt for permission to serve at the same time as director of the Savings Investment & Trust Company, East Orange, N. J., and as director of the First National Bank of Belleville, Belleville, N. J., and as director of the Livingston National Bank, Livingston, N. J.  
Approved.

The meeting adjourned at 1:00 p.m.

  
Assistant Secretary.

Approved:

  
Chairman.