

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, October 26, 1928 at 11:40 a.m.

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

Dr. Miller called attention to the fact that the galley proof for the November issue of the Federal Reserve Bulletin contains an article on "Switzerland and the Gold Standard" prepared by Dr. Bachmann, President of the Swiss National Bank. He stated that this article was sent by Dr. Bachmann to the Federal Reserve Bank of New York with the suggestion that if in their judgment it contained appropriate matter for the Federal Reserve Bulletin, it be transmitted to the Board. He pointed out that while the article itself contains nothing objectionable, its publication in the Bulletin would be a departure from the policy which has been followed heretofore. He stated that although official reports of the foreign banks of issue have been published in the Bulletin, in whole or in part, articles by officers of those banks or other individuals have never been published, and he suggested that a change of policy in this matter might later prove embarrassing to the Board should there be submitted for publication an article to which the Board might have objection.

After considerable discussion, Mr. James moved that the article be not published in the Bulletin.

Mr. Platt moved as a substitute for Mr. James' motion that publication be withheld for a period of thirty days in which time the Board could ascertain whether it is to be regarded as an official document of the Swiss National Bank.

10/26/28

-2-

Mr. Platt's substitute motion being put by the Chair was lost on a tie, the members voting as follows:

Governor Young, "aye"
Mr. Platt, "aye"
Mr. McIntosh, "aye"
Mr. Miller, "no"
Mr. James, "no"
Mr. Cunningham, "no"

Mr. James' original motion was then put to a vote and carried, Mr. Platt voting "no".

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

The Governor then presented a letter dated October 23rd from the Federal Reserve Agent at Minneapolis, recommending that the Board direct the Comptroller of the Currency to bring suit for cancellation of the charter of the First National Bank of Denton, Montana; the letter stating that the institution has had average deficiencies in reserves for every reserve computation period during eight and one-half consecutive months ending October 15, 1928, and that letters addressed to the officers and the directors of the institution in accordance with the Board's Regulation D have not brought about any improvement in the situation. The Governor expressed the opinion that the Board is not in possession of sufficient information on which to base action on the recommendation of the Federal Reserve Agent, and he submitted draft of a proposed reply requesting information which, in his opinion, the Board should have.

After discussion, upon motion, the matter was referred to the Governor with power.

Letter dated October 24th from the Deputy Governor of the Federal Reserve Bank of New York, confirming telephone conversation with the Governor of the

10/26/28

-3-

Board and advising that on October 26th there will remain in the System account but \$3,500,000 of the approximately \$23,000,000 of short-term government securities acquired from a foreign correspondent on September 8th; the letter also commenting upon the probable demand for reserve bank credit in the near future and the prospective situation in the money market.

Noted.

Mr. Platt then referred to Clayton Act applications of Messrs. E. C. Jameson, C. F. Noyes, Robert Lehman, Henry R. Ickelheimer, Herbert P. Howell and S. Sloan Colt, involving the Commercial National Bank and Trust Company of New York City, organizing, and other institutions, all of which were unfavorably reported upon by the Federal Reserve Agent at New York. He stated that he has received advice from the Federal Reserve Agent at New York of his willingness to withdraw his objections to approval of the applications of Messrs. Jameson and Noyes, involving the organizing national bank and the Lawyers Title and Trust Company of New York City.

Upon motion by Mr. Platt, it was voted to approve the applications of Mr. E. C. Jameson and Mr. C. F. Noyes for permission to serve at the same time as directors of the Commercial National Bank and Trust Company and the Lawyers Title and Trust Company, both of New York City.

After further discussion with regard to the remaining applications, the files thereon were ordered circulated.

Letter dated October 25th from the Secretary of the Federal Reserve Bank of New York, and telegram dated October 25th from the Chairman of the Federal Reserve Bank of Kansas City, both 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.

10/26/28

-4-

Memorandum dated October 25th from the Chief of the Division of Bank Operations, submitting and recommending acceptance of the resignation of Miss Gladys Rice, stenographer in the Division, effective at the close of business October 31, 1928; the memorandum also requesting authority for the employment of a successor at a salary of not to exceed \$1600 per annum.

Upon motion, the resignation was accepted and authority granted as recommended.

Memorandum dated October 22nd from Counsel with further reference to the cancellation of stock in the Federal Reserve Bank of Chicago standing in the name of the Guaranty State Bank of Knoxville, Iowa, which, although it has ceased to do business, has not gone into liquidation nor has a receiver been appointed for it; Counsel submitting draft of a letter to the Federal Reserve Agent at Chicago requesting him to communicate further with the State banking authorities regarding the institution.

Upon motion, the letter submitted by Counsel was approved.

The Governor then referred to the action of the Board at its meeting on July 18th in authorizing the executive officer of the Board for a period of thirty days to approve a rediscount rate of 5% established by any Federal Reserve bank, which authority on August 13th was made effective until revoked by the Board. He stated that at the present time with the full membership of the Board in Washington continuance of the authority is unnecessary.

Upon motion by Mr. McIntosh, the authority referred to was rescinded.

Mr. Miller, on behalf of the special committee appointed at the meeting on October 1st, then submitted in accordance with the instructions at that

10/26/28

-5-

meeting, a proposed revision of the Open Market Investment procedure of the Federal Reserve System as follows:

- "(1) That the Open Market Investment Committee, as at present constituted, be discontinued.
- (2) That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative to be designated by the Board of Directors of the bank.
- (3) The Open Market Policy Conference to be under the chairmanship of the Governor of the Federal Reserve Board and to meet in Washington at such times as may be arranged by or with the Federal Reserve Board.
- (4) That it shall be the function of The Open Market Policy Conference to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System and participating Federal reserve banks.
- (5) That purchases and sales of securities for System account in the open market shall consist primarily of bankers acceptances.
- (6) That the time, manner and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.
- (7) That for the purpose of executing such purchases and sales of securities for System account as may be approved by Federal reserve banks and the Federal Reserve Board there shall be constituted a committee to be known as The Open Market Executive Committee."

No action was requested by the Committee, it being understood that its report would be circulated among the members of the Board and brought up for consideration at a later meeting.

In accordance with an informal suggestion made at the meeting on October 17th, Mr. Miller then presented the following draft of a letter addressed to the President of the Federal Advisory Council:

"Credit developments and money market movements during the last year have been the subject of widespread public interest. Particular attention has been drawn to the behavior of the call loan market and call loan rates; and the connection and responsibility of the Federal Reserve System in the situation."

10/26/28

-6-

"The present seems to afford a peculiarly opportune time for a thorough-going consideration by the Council of these matters and the Board, therefore, proposes as the leading subject for consideration at the next conference of the Federal Advisory Council with the Board the topic -

'The relation of the call loan market to the
Federal Reserve System.'

In order that the discussion shall not be too general in character, it is further suggested that the following subjects be given careful consideration:

- (1) The relation of call loan rates to Federal reserve discount rates.
- (2) The effect of open market operations and buying rates of the Federal Reserve System on the call loan market.
- (3) The relation of call loan rates to other money rates.
- (4) The proper function under our banking system as modified by the establishment of the Federal Reserve System of banking investments in call loans.
- (5) What responsibilities has the Federal Reserve System in relation to the call loan market and by what methods of policy, control, management or operation may that responsibility be effectively discharged with a minimum of interference with the free play of money market factors?"

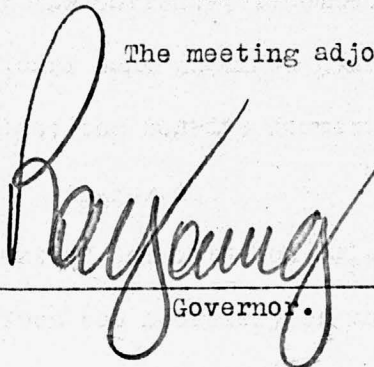
Mr. Miller did not request immediate consideration of the letter and it was ordered circulated and brought up at a future meeting.

REPORTS OF STANDING COMMITTEES:

Dated, October 26th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date.
Recommendations approved.

The meeting adjourned at 1:00 p.m.

Approved:



Governor.



Assistant Secretary.