

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, October 31, 1928 at 12:00 o'clock noon.

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

The reading of the minutes of the meeting of the Federal Reserve Board held on October 30th was dispensed with.

The Governor presented the application of the Straus National Bank and Trust Company of New York City, organizing, for permission to exercise general fiduciary powers and stated that the Comptroller of the Currency strongly recommends approval of the application and is desirous of chartering the institution today, one-half of its capital stock of \$2,000,000 and surplus of \$600,000 having been paid in, the remaining \$1,300,000 to be paid in immediately after organization. He called attention to the fact that the board of directors of the Federal Reserve Bank of New York has recommended that the application be disapproved, the Federal Reserve Agent stating it is believed the bank should demonstrate its ability before receiving trust powers, and that the Board's Law Committee is divided, Messrs. Hamlin and McIntosh recommending approval and Mr. Platt that the application be held. The Comptroller then advised the Board that when the application to organize the Straus National Bank and Trust Company was filed it was referred to the Federal Reserve Agent at New York and an unfavorable recommendation was received, but that later the Agent advised him that in view of changes proposed in the directorate and in the ownership

10/31/28

-2-

of stock, he was inclined to withdraw the unfavorable recommendation provided the Comptroller felt that the banking situation in the section where it is proposed to locate warrants the establishment of another bank. He stated that on the strength of this advice, after completing his investigation, he approved the application to organize, assuming that the action of the Federal Reserve Agent in withdrawing his unfavorable recommendation on the organization of the Straus National Bank and Trust Company indicated that the New York bank would not object to the exercise of trust powers by the institution. He advised that representatives of the organizing bank are in his office today for the purpose of receiving their charter and that he has been placed in an embarrassing position by the adverse recommendation of the New York directors on the application for trust powers. He expressed the opinion, which was concurred in by other members of the Board, that if the applicants are capable of operating a national bank in the downtown section of New York they are also capable of handling trust functions. Some members of the Board, however, felt that by conference with the New York directors some agreement could be reached regarding the application.

After a detailed discussion, it was voted that the Governor and such other members of the Board as he may wish to accompany him, be authorized to go to New York to attend the meeting of the board of directors there tomorrow in an attempt to secure a solution of the difficulty confronting the Comptroller and the Board in reference to the application; and also to attempt to arrive at some understanding and agreement with the directors of the New York bank with reference to future applications of the same character.

At the Governor's request, Messrs. Platt and James expressed their willingness to accompany him to New York.

At 1:15 p.m. the meeting recessed, and reconvened at 2:45 p.m., the same members being present as attended the morning meeting except Mr. McIntosh.

10/31/28

-3-

The Governor stated that special order of business for the meeting is consideration of the proposed letter to the President of the Federal Advisory Council, submitted by Mr. Miller at the meeting of the Board on October 26th and amended at the meeting on October 30th, requesting consideration at the forthcoming meeting of the Council of the question of the relation of the Federal Reserve System and the call loan market.

After considerable discussion, during which the letter was further amended, upon motion by Mr. Platt it was adopted in the following form, Mr. James voting "no":

"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.

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

'The relation of the Federal Reserve System and the Security Loan Market, both time and call.'

In this connection, it is further suggested that the following subjects be given careful consideration:

- (1) The relation of Federal reserve discount rates and security loan market rates.
- (2) The effect of open market operations and buying rates of the Federal Reserve System on the security loan market.
- (3) The relation of security loan rates to other money rates.
- (4) The proper function and use to be made of banking investments in brokers loans.
- (5) In the opinion of Council, under what conditions, and by what methods of policy, management, or operation, may the Federal Reserve System, in discharging its duties under the Federal Reserve Act, use to prevent a seepage of Federal Reserve credit into the Call Loan Market, retaining at the same time every assurance of a minimum interference with the free play of credit to accommodate business and commerce?"

10/31/28

-4-

241

Upon motion, it was voted further that the date of transmittal of the above letter be left to the discretion of the Governor.

The Governor then brought up the question of bill rates at the Federal Reserve Bank of New York, and requested discussion of a suggestion by Mr. Miller that the rates on the shorter maturities might be advanced, beginning with an advance of one-eighth. Mr. Miller pointed out that approximately two-thirds of the outstanding acceptances are held in the Federal Reserve System either for account of the banks themselves or for account of foreign correspondents and that a recent reduction of one-eighth in open market rates indicates that there is some demand for bills and that the present would be an opportune time for the System to strengthen its rates and let the market absorb the bills without any unnecessary inducement to the banks that have them to turn them into the Federal Reserve System. He stated that although the demand for the Autumn trade and crop moving purposes appears to be over and the holiday demand has not yet begun, there is a growing volume of credit from which it appears that the banks are turning over their acceptances to the Reserve banks, using only part of the proceeds to retire rediscounts, with a part finding its way into the security loan market.

During the discussion which ensued, there was no consensus of opinion in the matter but it was agreed that the Governor, when he is in New York tomorrow, might well bring the question up for discussion at the meeting of the directors of the New York bank.

REPORTS OF STANDING COMMITTEES:

- Dated, October 30th, Recommending action on an application for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Recommendation approved.
- Dated, October 30th, Recommending approval of the application of Mr. Raymond C. C. Thatcher for permission to serve at the same time

10/31/28

REPORTS OF STANDING COMMITTEES: (Cont'd)

as director and officer of the First National Bank, Pueblo, Colo., as director and officer of the First National Bank of Lamar, Colo., and as director of the First National Bank of Denver, Colo.

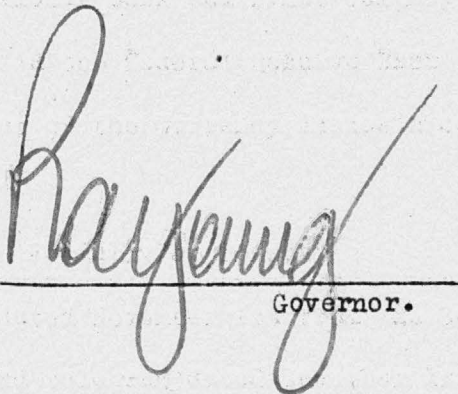
Recommendation approved.

Dated, October 30th, Recommending approval of the application of Mr. Herbert F. Boynton for permission to serve at the same time as director of the Winchester National Bank of Winchester, Mass., and as member of the firm of private bankers of F. S. Moseley and Company, Boston, Mass.

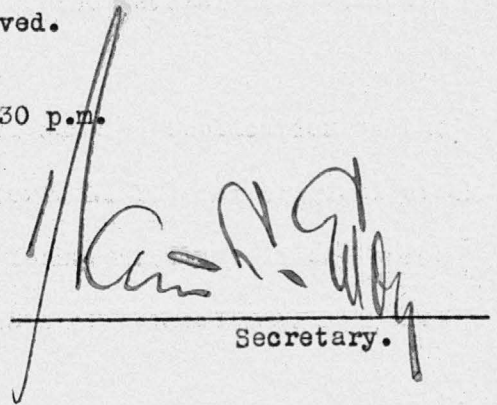
Recommendation approved.

The meeting adjourned at 4:30 p.m.

Approved:



Governor.



Secretary.