

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

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

The reading of the minutes of the meetings held on October 30th and 31st and on November 7th was dispensed with.

The Governor presented a letter dated November 7th addressed to the Comptroller of the Currency by White and Case of New York City, attorneys for the organizers of the proposed "Straus National Bank and Trust Company", with reference to the application filed with the Board for permission to exercise trust powers; the letter requesting that the application be returned to the Federal Reserve Bank of New York for further consideration as it is desired to present certain additional information to the New York bank before its recommendation is finally acted upon by the Board.

In this connection, the Secretary presented memorandum of a telephone conversation with General Counsel for the Federal Reserve Bank of New York during which he was advised that the New York bank is unable to secure a copy of the report requested by the Board of an investigation made by the Attorney General of the State of New York of certain organizers of the proposed "Straus National Bank and Trust Company". In the memorandum, the Secretary set out certain matters which he was informed by General Counsel for the New York bank were brought out by the investigation.

After detailed discussion, it was voted that a letter be addressed to the attorneys for the bank, advising that while the Board can not return the application

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filed with it for permission to exercise fiduciary powers, if the organizers wish to present additional information, the Board will be very glad to receive it.

The Governor then referred to the fact that special order of business for today's meeting was his memorandum of November 3rd, with reference to the granting of trust powers to National banks. He suggested that inasmuch as consideration of the application of the "Straus National Bank and Trust Company", which gave rise to the memorandum, is being deferred, the Board also defer consideration of the general question covered in the memorandum.

In accordance with the suggestion of the Governor, action on the special order of business was postponed.

The Governor then presented the report submitted at the meeting on October 30th, by the special committee appointed at the meeting on October 2nd, setting forth an outline of a suggested revision of the open market investment procedure of the Federal Reserve System.

A detailed discussion ensued during which the outline of a new procedure set forth in the Committee report was amended in several respects.

Mr. James then moved that it be the sense of the Federal Reserve Board that it would be advisable for each Federal Reserve Bank to be represented at conferences held for the purpose of determining open market investment policy.

Mr. James' motion being put by the Chair was carried.

Mr. Platt stated that he voted in favor of the motion with the understanding that under the suggested procedure it would not be necessary for each Federal Reserve bank to have an individual representative at open market conferences, but that one Federal Reserve bank could be represented, if it desired, by the designated representative of another bank.

Upon motion, the Governor was then authorized to refer to the forthcoming Conferences of Governors and Federal Reserve Agents the revised procedure recommended by the Committee, with the amendments made at this meeting, as follows:

"(1) That the Open Market Investment Committee, as at present constituted, be discontinued.

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(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 with the Federal Reserve Board 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 the time, manner, character 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.

(6) 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."

At this point, Mr. Cunningham joined the meeting.

The Governor then referred to the practice which has been followed of having a stenographic report made of the proceedings of Conferences of Governors and Federal Reserve Agents. He stated that from his experience, both as Governor of the Federal Reserve Bank and member of the Board, he did not believe that the value of the reports warranted the expenditure, and stated that the Governors of a good many of the Federal Reserve banks hold the same view. He requested that the Board consider the matter and express some opinion which could be conveyed to the Governors and Agents when they convene next week.

Mr. Platt moved that "It is the opinion of the Federal Reserve Board that the expense of full stenographic reports



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of debates at the Conferences of Governors and Federal Reserve Agents is not usually warranted and that such reports should be discontinued, with the substitution of a brief summary of reasons for actions taken at the Conferences, unless some special occasion make a stenographic report advisable."

Mr. Platt's motion being put by the Chair was carried.

Mr. McIntosh then left the meeting.

The Governor then presented a letter dated October 26th from the President of the International Acceptance Bank, Inc., New York City, requesting a ruling on the question raised by the Board's Examiners whether acceptances held by that institution guaranteed by a bank or banker of undoubted solvency can be considered as fully secured under the provision of the institution's agreement with the Board that whenever the aggregate of its acceptances outstanding at any time (a) exceeds the amount of its subscribed capital and surplus fifty per centum of all acceptances in excess of such amount shall be fully secured; (b) exceeds twice the amount of its subscribed capital and surplus all acceptances outstanding in excess of such amount shall be fully secured.

Mr. Herson, the Board's Chief Examiner, was called into the meeting and stated that the question was raised, not because of any doubt as to the goodness of the acceptances in question but because it was not clear whether they met definitely the requirements of the agreement.

After discussion, upon motion, the Governor was authorized to take the matter up with the Board's Counsel with a view of suggesting such an amendment to the Board's agreement with the International Acceptance Bank, Inc. as will meet the question raised by the Board's Examiners.

Letter dated October 26th from the Chairman of the Federal Reserve Bank of New York, with regard to the Board's recent request that the Chairmen of

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Federal Reserve banks, in advising the Board of changes in rediscount rates, inform it also of the reasons which actuated the directors in making the change; the Chairman stating that his directors at their meeting on October 25th authorized him to furnish the Board with the main facts which are presented to them at the time of a change in rate, feeling that it would be impracticable to go beyond that, owing to the difficulties of attempting to express the reasons which actuate the different directors in voting to change the rate.

Noted.

Letter dated November 5th from the Chairman of the Federal Reserve Bank of New York, advising of the action of the board of directors of that bank in voting, subject to the approval of the Board, to make a payment of \$8,333.33 to the estate of Governor Strong.

Upon motion, the above letter was referred to Counsel for advice as to whether the Board can legally approve the payment authorized by the New York directors.

The Governor then submitted a letter dated November 7th from the President of the Foreign Trade Securities Company, Ltd. of New York City, requesting early action by the Board on his letter of October 25th, submitting draft of prospectus of the proposed "Foreign Discount and Investment Trust" and requesting approval of a change in the name of the corporation to "Foreign Banking and Investment Trust".

The Governor called attention to the fact that at the meeting on November 7th the matter referred to in the above letter was laid on the table and a special committee was appointed to consider the question whether the use of the term "Investment Trust" is proper in the titles of corporations organized under section 25 (a) and is correctly descriptive of the business in which such corpo-

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rations are permitted to engage.

Mr. Platt, one member of the special committee, submitted a memorandum expressing and upholding his view that the use of the term is proper, while Mr. Miller, the other member, expressed verbally the reasons for his opinion that the term should not be used.

The Governor advised that the organizers of the proposed "Federal International Investment Trust" have requested approval of a change in the title of that corporation to "Federal International Banking Corporation" which eliminates the title of that organization from further consideration by the Board, and he expressed the opinion that both the management of the First Federal Foreign Investment Trust and the organizers of the proposed Foreign Discount and Investment Trust would be willing to change their titles if advised to do so by the Board.

After considerable discussion, it was understood that the Governor would request the President of the Foreign Trade Securities Company, Ltd. to come to Washington for a discussion regarding the proposed "Foreign Discount and Investment Trust" and would also communicate over the telephone with the President of the "First Federal Foreign Investment Trust".

The Governor then reported that on November 9th he transmitted to the President of the Federal Advisory Council the letter approved by the Board on October 31st, requesting the Council at its next meeting to consider the question of the relation of the Federal Reserve System and the security loan market.

Telegram dated November 8th from the Chairman of the Federal Reserve Bank of Boston, letter dated November 8th from the Secretary of the Federal Reserve Bank of New York, telegram dated November 7th from the Chairman of the Federal Reserve Bank of Philadelphia, telegram dated November 9th from the Secretary of the Federal Reserve Bank of Cleveland, telegram dated November 8th from the Chairman of the Federal Reserve Bank of Richmond, telegram dated November 9th from the Secretary of the Federal Reserve Bank of Atlanta, telegram dated November 7th from the Chairman of the Federal Reserve Bank of St. Louis, tele-



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gram dated November 8th from the Chairman of the Federal Reserve Bank of Kansas City and telegram dated November 7th from the Chairman of the Federal Reserve Bank of Dallas, 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.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Philadelphia, Richmond and Dallas, of employees for whom the directors of those banks approved leaves of absence with pay, on account of illness, during the month of October, 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.

Letter dated November 7th from the Assistant Federal Reserve Agent at New York, advising of a proposed merger of the Globe Exchange Bank of Brooklyn, a member bank, with the Bank of Glendale, Borough of Queens, a nonmember institution.

Noted.

REPORTS OF STANDING COMMITTEES:

Dated, November 8th, Recommending changes in stock at Federal Reserve Banks  
10th, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.

Dated, November 6th, Recommending action on applications for fiduciary powers  
10th, as set forth in the Auxiliary Minute Book of this date.  
Recommendations approved.

The meeting adjourned at 1:15 p.m.

Approved:

*Ray Young*  
Governor.

*Ken A. G.*  
Secretary.