

A meeting of the Federal Reserve Board was held in the office of the Governor on Monday, November 12, 1928 at 11:45 a.m.

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

The Governor stated that in accordance with the understanding at the meeting of the Board on November 10th he communicated over the telephone this morning with the President of the First Federal Foreign Investment Trust regarding the consideration which the Board has been giving to the question of the propriety of the use of the term "Investment Trust" in the titles of corporations organized under Section 25 (a) of the Federal Reserve Act. He stated that he was advised by Mr. Lisman that although at the time the corporation was organized it was anticipated that it would engage in the business of an investment trust, as a matter of fact its activities have developed more along the lines of financing the export of commodities and their distribution abroad. Mr. Lisman expressed the opinion that the corporation would be willing to consider a change in title and stated that he would take the matter up.

The Governor then stated that in view of the attitude of Mr. Lisman as reported above, he feels he is in position to suggest a change in title to the organizers of the proposed "Foreign Discount and Investment Trust" which he will do.

The Governor then requested authority to refer to the Conference of Federal Reserve Agents which is now in session the memorandum which he presented at the meeting of the Board on November 7th on the subject of the granting of trust powers to National banks.

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Upon motion, reference to the Conference was approved.

Letter dated November 9th from the Deputy Governor of the Federal Reserve Bank of Kansas City, requesting a ruling by the Board on the question raised by the Board's Examiners regarding certain notes rediscounted by the Federal Reserve Bank, not supported by financial statements, partially secured by chattel mortgages on live stock with the balance secured by growing sugar beet crops; the Deputy Governor stating that the paper in question is the most liquid in the District and that it is felt that if the Federal Reserve bank were to insist upon financial statements in connection therewith, it might encourage some member banks to depart from their general custom of requiring mortgages and base future advances on statements only, which would result in a weakening of the paper for their own purpose and for the purpose of rediscount as well. Attention was called to the fact that under the Regulations of the Board financial statements need not be required by the Federal Reserve bank if the aggregate of the borrower's obligations is less than 10% of the paid-in capital of the member bank and is less than \$5,000.

Upon motion, the Governor was authorized to inquire of the Kansas City Bank whether the loans mentioned are less than 10% of the member banks' capital and in no case exceed \$5,000.

Letter dated November 10th from the Governor of the Federal Reserve Bank of Richmond, transmitting copy of a letter from Mr. D. R. Coker, Class B Director of the bank, from South Carolina, regarding banking and agricultural conditions in his immediate locality.

Ordered circulated.

Letter dated November 8th from the Governor of the Federal Reserve Bank

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of Dallas, transmitting copies of correspondence with reference to action taken toward a reduction of the borrowings of the National Bank of Commerce, Houston, Texas.

Ordered circulated.

The Governor then expressed the opinion that it would be advisable to make arrangements for an audit of the Gold Settlement Fund.

Noted, without objection.

Reports of Committee on Salaries and Expenditures on lists submitted by the Federal Reserve Banks of Cleveland and Atlanta, 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.

Memorandum from Counsel dated November 9th, approved by the Law Committee, with reference to the action of the Board on September 5th in advising Mr. Vann M. Howell that it believes it would be incompatible with the public interest to approve his Clayton Act application, and further, that it believes the public interest requires revocation of the permit previously granted him; the memorandum submitting a letter to Mr. Howell advising that it will accordingly be necessary for him to sever his connection with the American Southern Trust Company of Little Rock, Ark. or with both the First National Bank of Junction City, Ark. and the First National Bank of Batesville, Ark., but that in view of the short time until the end of the year, when the annual election of directors of the banks he is serving will take place, the

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Board will not require him to sever his connection with any of the institutions until January 1, 1929.

Upon motion, the proposed letter was approved.

Matter approved on initials on November 8th, namely, telegram to the Federal Reserve Agent at Chicago in reply to letter dated November 3rd inquiring as to the validity of a nomination for Class A Director of the Chicago Bank made on a certificate of nomination which was not furnished by the Chairman of the Bank, but which follows the wording of the standard certificate except that the name of Mr. E. R. Estberg is printed in as the nominee; the telegraphic reply stating that in the opinion of the Board the use of the certificate mentioned should not be regarded as illegal and the nomination should be accepted as valid.

Upon motion, the telegram was formally approved.

The Secretary then presented the application of the First National Bank of Plainfield, Ind. for permission to exercise general fiduciary powers, and called attention to the fact that while two members of the Law Committee, Messrs. Hamlin and McIntosh, recommend approval, Mr. Platt, the third member, recommends refusal in view of the fact that the capital of the bank amounts to but \$25,000.

Upon motion, the application was approved, Mr. Platt voting "no".

Memorandum dated November 9th from the Director of the Division of Research and Statistics, recommending the appointment of Mr. Charles E. Varlez, as Research Assistant in the Division, at a salary of \$2,500 per annum, effective December 1, 1928.

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Mr. Miller advised the Board that Mr. Varlez is not an American citizen and expressed the opinion that it would be inadvisable, unless in very exceptional circumstances, to employ other than American citizens in the Division, the work of which consists largely of the study of foreign and International problems.

A motion to approve the appointment being put to a vote was lost on a tie, the members voting as follows:

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

The minutes of the meetings of the Federal Reserve Board held on October 30th and 31st and on November 7th and 10th were then read and approved as amended.

The Secretary then supplemented the report made by him at the meeting on November 10th of a telephone conversation with the General Counsel of the Federal Reserve Bank of New York, and stated that during the course of a subsequent conversation he was advised that it may be possible for the Federal Reserve Bank of New York to secure copy of a voluminous report which it is understood is in the files of the Attorney General of the State of New York relating to practices of a real estate mortgage firm in which certain of the organizers of the proposed Straus National Bank and Trust Company of New York City are interested and that an effort will be made to secure the report for the Board.

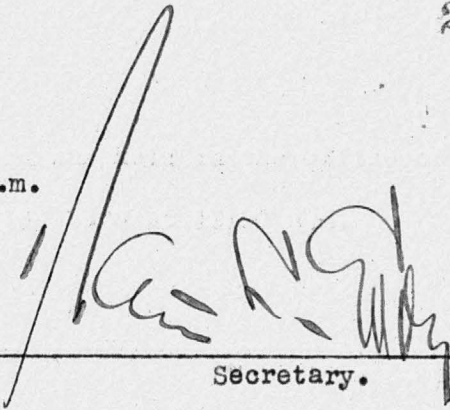
REPORTS OF STANDING COMMITTEES:

Dated, November 7th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

Recommendations approved.

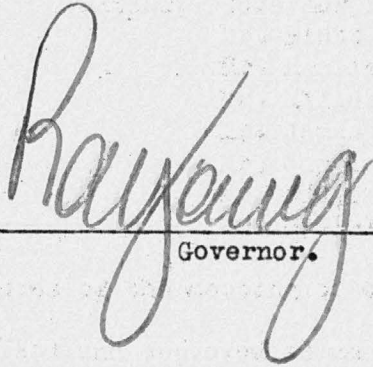
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The meeting adjourned at 1:10 p.m.



Secretary.

Approved:



Governor.