

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, November 13, 1928 at 11:00 a.m.

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

The minutes of the meeting of the Federal Reserve Board held on November 12th were read and approved as amended.

Report of Law Committee on letter dated November 9th from the Acting Governor of the Federal Reserve Bank of New York, reporting and requesting approval by the Board of a fee of \$2,500 paid to Messrs. Harris, Beach and Matson, attorneys at Rochester, N. Y., for legal services in connection with the case of Carson et al., as trustees in bankruptcy of G. E. Zartman and Company, private bankers, against the Federal Reserve Bank of New York; the Board's Committee recommending approval of the payment.

Approved.

Letter dated November 12th from Mr. Alexander B. Trowbridge, transmitting statement in the amount of \$500 representing one-half of the final payment due him for services as Consulting Architect in connection with the construction of the Baltimore Branch building, the other half being payable by the Federal Reserve Bank of Richmond.

Upon motion, a payment to Mr. Trowbridge in the amount of \$500 was approved.

The Governor then submitted a letter dated October 26th from the Deputy Governor of the Federal Reserve Bank of New York, which he had pre-

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viously brought to the attention of the individual members of the Board, replying to the Board's inquiry of October 25th as to the proper interpretation of the last paragraph of the Deputy Governor's letter of October 10th, explaining in detail the Autumn demand for bank credit and the manner in which that demand was being met.

Noted.

Memorandum from Counsel dated November 8th with reference to letter dated November 7th from Roosevelt and O'Connor, attorneys for the proposed "Federal International Investment Trust", requesting approval of a change in the title of the proposed corporation to "Federal International Banking Corporation"; Counsel suggesting that before the Board grants its approval to the change it address a letter to Mr. T. J. Caldwell, formerly connected with the Federal International Banking Company of New Orleans, requesting definite and formal advice as to whether that Company has been finally liquidated.

Upon motion, Counsel's suggestion was approved.

Memorandum from Counsel dated November 5th submitting letter from and draft of proposed reply to National Bank Examiner H. B. Davenport, with reference to the question whether National banks in Pennsylvania having authority from the Board to exercise trust powers may act as Treasurers of corporations or of building and loan associations; the proposed reply advising that in order for National banks to so act, as a fiduciary capacity, it is necessary that competing state institutions in Pennsylvania be permitted to do so under the laws of that State and that advice has been received to the effect that the State of Pennsylvania does not approve of a trust company in that State

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acting as Treasurer of a corporation. In his memorandum, Counsel suggested, however, that the correspondence be referred to the Comptroller of the Currency before the proposed reply is transmitted, as the Comptroller possibly may wish to take the position that a National bank may perform the duties incidental to a Treasurership under its general authority to receive deposits, independently of the provisions of Section 11 (k) of the Federal Reserve Act.

Upon motion, the matter was ordered referred to the Comptroller of the Currency in accordance with Counsel's suggestion.

Telegram dated November 13th from the Deputy Governor of the Federal Reserve Bank of Kansas City, replying to the Board's telegraphic inquiry of November 12th and advising that the secured loans mentioned in his letter of November 9th are in some cases slightly in excess of 10% of the borrowing member bank's capital and some now under discount are in the amount of \$5,000.

After discussion, upon motion the following telegram was ordered transmitted to the Deputy Governor of the Kansas City Bank:

"Your letter of November 9 and telegram today. Under regulations of Board financial statement is required if a note exceeds ten percent of the discounting bank's paid-in capital or exceeds \$5,000, even though it is secured as mentioned in your letter. However, Board notes from your telegram that in some cases notes mentioned are slightly in excess of ten percent of member bank's capital and in view of circumstances surrounding them, as set forth in your letter, is not disposed to insist upon too narrow or technical an application of the regulation."

The Governor then referred to the fact that some complaint has been made in the past regarding the inconvenience of holding the Joint Conferences of Governors and Federal Reserve Agents in the Board room, due to overcrowding.

Upon motion, the Secretary was authorized to make arrangements for a suitable room at the Washington Hotel for the Conference on Friday.



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The Governor then advised the Board that the Director of the Division of Research and Statistics is in need of several assistants in order to keep the work of the Division current and would like, if agreeable to the Board, to negotiate with at least one research assistant employed by a Federal Reserve Bank. The Governor expressed the opinion that it would be desirable to bring employees of the Statistical Divisions of the various Federal Reserve banks to Washington from time to time for service of a year or more in the Board's Division and he requested authority to discuss the matter with the Federal Reserve Agents who are now in session.

Upon motion, the authority requested by the Governor was granted.

Memorandum dated November 12th from General Counsel, submitting draft of letter to the President of the International Acceptance Bank, Inc., New York, N. Y., suggesting an amendment to that institution's agreement with the Board under which acceptances and acceptance transactions would be deemed to be fully secured within the meaning of the agreement when they arise out of the exportation or importation of merchandise and the acceptor is guaranteed against loss by a bank or banker of undoubted solvency; the amendment being suggested in view of the situation explained in the letter from the President of the International Acceptance Bank presented at the meeting of the Board on November 10th.

Ordered circulated.

Letter dated October 30th from the Deputy Governor of the Federal Reserve Bank of New York, regarding a question raised by the office of the Comptroller of the Currency as to the legality and eligibility of certain bills accepted by the Nassau National Bank of Brooklyn for the Standard Rolling Mills, Inc., a customer.

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Ordered circulated.

Letter dated November 3rd from the Director of the Bureau of Foreign and Domestic Commerce of the Department of Commerce, with further reference to the matter considered at the meeting of the Board on October 10th, namely, the possibility of action by the Federal Reserve System with a view to changing the present practice of American merchants, banks, etc., of refusing to accept Canadian currency other than at a discount.

At the suggestion of the Governor he was authorized to take the subject up with the Conference of Governors which convenes tomorrow.

Letter dated November 8th from the Deputy Governor of the Federal Reserve Bank of New York, with reference to an inquiry made by the First Federal Foreign Investment Trust, New York City, for an interpretation of the phrase "market value" contained in Section XI of Regulation K, relating to security for debentures, as applied to retail installment paper, which arises from sales of American merchandise by foreign merchants and against which the First Federal Foreign Investment Trust makes advances to the foreign merchants in amounts equal on the average to 75% of the face value of such paper.

Ordered circulated.

Letter dated November 3rd from the Assistant Secretary of the Treasury, transmitting copy of report by the Committee designated to consider the advisability of destroying unfit paper currency at the Federal Reserve banks instead of at the Treasury Department; the Committee unanimously recommending no change in the present redemption procedure.

Noted.

Letter dated November 2nd from the Secretary of the Federal Reserve Bank

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of Atlanta, transmitting copy of a resolution adopted by the board of directors inviting the members of the Board to accompany a committee of directors of that bank on a trip to Havana, Cuba in December for an inspection of the new quarters of the Havana Agency and an investigation of the operations of the Branch and general conditions in Cuba.

After discussion, the Secretary was directed to advise the Federal Reserve Bank of Atlanta that the members of the Board appreciate the invitation but at the present time are not in position to accept, although if any member of the Board later finds that he can make the trip the bank will be advised.

Letter dated October 25th from the Federal Reserve Agent at San Francisco, transmitting newspaper clipping with reference to the formation of the Trans-America Corporation, incorporated under the laws of Delaware, as a holding company for the various Bank of Italy interests.

Noted.

The Governor then submitted a memorandum dated October 27th on the subject of reduction in reserve requirements of outlying member banks in reserve and central reserve cities under the provisions of Section 19 of the Federal Reserve Act.

At his suggestion, the Governor was authorized to refer the memorandum to the Conference of Federal Reserve Agents now in session and to the forthcoming meeting of the Federal Advisory Council.

The Secretary then submitted the following report made by the Secretary of the Federal Reserve Agents' Conference, with respect to the proceedings of the Conference at its meeting yesterday, November 12th:

"At today's session of the Federal Reserve Agents' Conference, the following action was taken:



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"In keeping with the suggestion of the Federal Reserve Board, it was moved, seconded and carried that the stenographic record of the Federal Reserve Agents' Conference be dispensed with and that minutes of the proceedings be kept by the Secretary in lieu thereof.

Mr. Mitchell, who had been appointed to arrange for a dinner to be given by the Chairmen and Governors to the Federal Reserve Board, the Secretary of the Treasury, and others, reported that it will be held at the Metropolitan Club on Thursday at 7:00 p.m.

On motion, duly made and seconded, it was ordered that Dr. Goldenweiser be invited to be present with such members of his staff as he desires on Wednesday at 10:00 a.m.

In accordance with the request of Governor Young, memorandum X-6175, outlining suggested revision of open market investment procedure, was read and considered paragraph by paragraph. On motion, duly made and seconded, it was voted to concur in the proposed plan, with the following amendments: It was recommended that in the third line of paragraph 2, after the word 'representative' the words 'and/or an alternate' be inserted and that after the word 'designated' the word 'annually' be inserted, so that the paragraph will read as follows: '(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 and/or an alternate to be designated annually by the Board of Directors of the bank.' Mr. Curtiss requested to be recorded as voting 'no'. A copy of the memorandum, showing suggested changes, is appended.

At the request of Governor Young, his memorandum X-6173, dated October 12, 1928, in regard to examination of State member banks, was read and considered paragraph by paragraph. On motion, duly made and seconded, it was voted to concur in the statements contained therein. In connection with the last sentence of paragraph 4, which reads 'This report should also be accompanied, if necessary, by a letter from the Agent stating the corrective measures that have been taken by State authorities or by the Federal Reserve Agent himself', Mr. Newton (San Francisco) called attention to the fact that the Bank Supervisors of two States in his district refused to send him copies of the letters they write to member banks following examinations.

Proposed letter of Governor Young, dated October 12, 1928, X-6173a, to all Federal Reserve Agents, which was attached to the above mentioned memorandum, was also read and considered paragraph by paragraph. The Conference noted with gratification that the Board will again recommend to Congress in December that the law be amended so as to make charges for member bank examinations discretionary. On motion, duly made and seconded, it was voted to concur in the proposed letter, with the following exception: It was recommended that in the fourth line of the second paragraph a period be placed after the word 'agents' and that following matter be omitted: 'in fact, those we have in our possession bear such a close resemblance to an examination that we are unable to distinguish the difference, except by the label. This procedure has developed an expense of approximately \$630,000 a year with reimbursement for assessments against member banks of approximately \$24,000.'

Copies of the above mentioned memorandum and letter, with the suggested changes indicated thereon, are attached.

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"In regard to topic 1-B on the program, it was moved, seconded and carried that this conference is opposed to the proposed minimum maturity on member bank collateral notes.

Since additional topics have been added to the program since it was printed, a revised copy is furnished herewith."

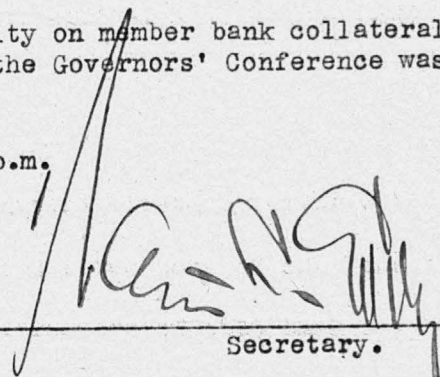
The action of the Conference in dispensing with a stenographic record was noted.

Inasmuch as the suggested revision of the Open Market Investment procedure of the System, is to be referred to the Conference of Governors which convenes tomorrow, the recommendations of the Federal Reserve Agents' Conference relative thereto were passed over without action at this time.

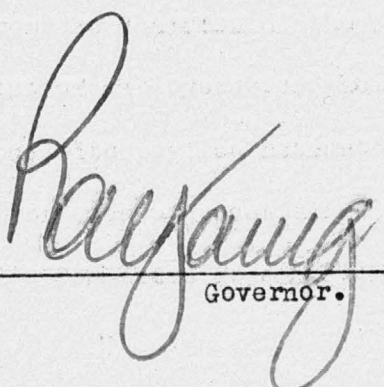
The subject of examination of State member banks, including the changes suggested by the Federal Reserve Agents in the memorandum and letter submitted by the Governor, was made special order of business for a meeting to be held on Tuesday, November 20th.

The question of a minimum maturity on member bank collateral notes having also been referred to the Governors' Conference was passed over.

The meeting adjourned at 12:30 p.m.

  
Secretary.

Approved:

  
Governor.