

A meeting of the Federal Reserve Board was held in the office of the Governor on Thursday, November 15, 1928 at 10:45 a. m.

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

The minutes of the meeting of the Federal Reserve Board held on November 14th were read and approved.

Letter dated November 15th from the Comptroller of the Currency, advising that he concurs in the proposed letter to National Bank Examiner H. B. Davenport, referred to him at the meeting on November 13th, with respect to the right of a National bank to act as treasurer of a building and loan association or of a corporation; the letter ruling that National banks situated in Pennsylvania may not act as treasurers of corporations or of building and loan associations under the provisions of Section 11 (k) of the Federal Reserve Act, but advising that the Comptroller takes the position that a National bank may perform certain duties incidental to a treasurership under its general authority to receive deposits, independently of the provisions of Section 11 (k).

Upon motion, the proposed letter was approved.

The Governor then announced that the Joint Conference of Governors and Federal Reserve Agents will be held on Friday morning at about 10:30 o'clock.

He then submitted the following report by the Secretary of the Federal Reserve Agents' Conference of the proceedings of the conference yesterday, November 14th:

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

At the opening of the morning session, pursuant to invitation, there were present Dr. Goldenweiser, Messrs. Smead, Parry, Cummings, Gardner, Rhodes, Riefler, Stark, Thomas and Wall, and Misses Evans, Joy and Rackstraw.

All of the Federal Reserve Agents were present, except Mr. McGarrah, who, as Acting Governor of the Federal Reserve Bank of New York, attended the Governors' Conference today.

Topic 2-D. Report of Committee on National Summary of Business Conditions. Mr. Austin, Chairman, read report of the committee, which recommended that efforts be made to standardize the length of the summary to about 700 words, that representation be accorded to other reserve banks as well as New York, Boston and Philadelphia on the committee which reviews the summary each month, etc. On motion, duly made and seconded, the report was adopted. A copy of the full report is attached.

Topic 3-H. Federal Reserve Agents' Annual Reports. Attention was called to the various charts and statistical tables appearing in some of the Agents' annual reports, and Dr. Goldenweiser expressed the opinion that there would probably be no objection to each Agent including in his report such data as he deems pertinent to his district. In this connection, he stated that the Bureau of Standards had suggested that the annual reports and monthly reviews of all the agents be of the same size, of the same kind of paper, etc. No action was taken.

Dr. Goldenweiser made a statement in regard to the work of the Division of Analysis and Research. At his request, Mr. Parry called attention to certain changes and new data in the last annual report of the Board. Miss Joy explained charts showing fluctuations in money in circulation, one based on daily figures for three months and one based on weekly averages for 1926, 1927 and 1928, and the reasons for the fluctuations were discussed. Mr. Stark explained charts showing the currency demand in each Federal reserve district and all districts during 1927 and 1928, and the different movements indicated were discussed. After this, Dr. Goldenweiser and his staff left the room.

Topic 3-M, regarding Auditing Departments, was then discussed. On motion, duly made and seconded, it was voted that, subject to approval of the Federal Reserve Board, a conference of General Auditors of the twelve Federal reserve banks and a representative of the Federal Reserve Board be called in the near future for the purpose of discussing problems incident to their work, the Chairman to determine the place and date of meeting.

Mr. Smead made a statement in regard to the revised form used by State member banks in submitting semi-annual reports of earnings and dividends. He expressed the opinion that the form was as satisfactory as possible, and hoped that no further changes would be made in it. He suggested that efforts be made to get all member State banks to completely and accurately fill out the earnings reports, as well as the call reports. After this, he left the room.

Topic 3-B, regarding the attitude of member banks as to rediscounting with the Federal Reserve Bank. From the discussion of this topic it appeared that the majority of member banks show a disposition to get out of debt as soon as possible. However, there are some few banks which show little inclination to liquidate their indebtedness at the reserve institutions.

Topic 3-C, as to whether it is sound practice to continue to buy bankers' bills and government securities at the old rates after a Federal reserve bank raises its discount rate. Mr. Austin, who proposed this topic, read a statement

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"excerpts of which are as follows: 'At present this question does not seem of much importance, but conditions always will not continue as at present...Changes in the prices of bills generally precede changes in the rate of discount of the New York bank, so that institution never has had to consider this question, but Boston, Philadelphia, Chicago and any other bank in the System that has raised its rate before the New York bank, either had to discontinue buying bills or else take them at the old rate....If users of credit continue, through the bill market, to get it at the old rate, is not the effect of the raising of the discount rate nullified? The only result is that the bank has penalized its own borrowers - made them pay higher rate for money, when the bank by its subsequent action in buying bills at the old rate shows that there was no necessity for it. The evils that were resulting from the previous low rate will scarcely have been affected. When it raises its rate, it should not participate further in the operations of the open market committee until the market rates for bills rise to meet the bank's new rate.' The question was discussed, but no action taken.

During the afternoon session there were also present Governor Young, Vice Governor Platt, Messrs. Hamlin, Miller, James and Cunningham, and the following members of the Board's staff: Messrs. Eddy, Herson, Wyatt, Goldenweiser, Smead, Noell and McClelland. Governor Young took the chair.

Topic 3-G, regarding unretired stock in the Federal Reserve Banks by banks in process of liquidation. Mr. Heath, who proposed this topic, explained the reasons for again considering this matter, and emphasized the importance of obtaining action on the following recommendations of the Federal Reserve Agents' Conference last year:

'It appears that the Federal Reserve Bank of Chicago has been subjected to serious embarrassment on account of the inadequate machinery available for the cancellation of stock in the Federal Reserve bank held by banks closed or in liquidation, and it is manifest that all Federal Reserve banks are exposed to similar difficulties. Your committee recommends that the Federal Reserve Board be supplied with the memorandum on this subject submitted to the Conference by the Chicago Bank, and that the Conference concur in the recommendations contained in that memorandum, as follows: It is recommended to the Federal Reserve Board that, at an opportune time, it take proper steps to have prepared and introduced into Congress, curative amendments to the following effect: First: Amend the National Bank Act so as to provide for the appointment of a liquidating agent by the stockholders of any liquidating national bank, and that in case the stockholders, within a reasonable time, fail themselves to designate such liquidating agent, the Comptroller of the Currency be empowered to appoint such liquidating agent; and further, that such liquidating agent be required to report regularly to the Comptroller of the Currency. Second: Amend the Federal Reserve Act so as to authorize the Federal Reserve Board, in its discretion, to cancel and refund Federal Reserve stock held by any member closed or in liquidation, if at the expiration of some stated period, say, six months, proper legal steps have not already been taken to effect such cancellation and refund.'

Referring to action taken yesterday on Governor Young's memorandum of October 27, 1928, X-6176, in regard to passing on applications for reduction in reserve requirements, he requested that the Conference again consider the memorandum with the first sentence of paragraph 2 amended to read as

"follows: 'If distance alone is not a determining factor, which ones, in addition to bank deposits, of the following should be determining factors:'

Relative to the action taken on Topic 1-A, at the request of Governor Young, Mr. Smead made a statement as to his experiences in obtaining amount of eligible paper on call reports. In connection with the means suggested by the Conference of further acquainting member banks with the kinds of paper eligible for rediscount, there was mentioned an exhibit of the Federal Reserve Bank of Philadelphia which indicates by pictures the classes that can be rediscounted and those that cannot.

Matters in connection with other topics which had been acted on were discussed, after which the Conference adjourned at 6:00 p. m."

The recommendation of the Federal Reserve Agents' Committee on National Summary of Business Conditions was upon motion referred to the Director of the Division of Research and Statistics.

The recommendation of the Conference that a meeting of General Auditors of the twelve Federal Reserve banks and a representative of the Federal Reserve Board be called in the near future for the purpose of discussing problems incident to their work, was upon motion approved.

The recommendation of the Federal Reserve Agents' Conference on the subject of the cancellation of unretired Federal Reserve Bank stock held by banks in process of liquidation was, upon motion, referred to the Board's General Counsel for the preparation of a form of amendment to the Federal Reserve Act to be submitted to the Board for final action.

The other actions set forth in the above report were not deemed to require any action by the Board.

At this point, the Secretary of the Treasury joined the meeting and took the Chair.

The Governor stated that special order of business for this meeting is consideration of his memorandum of November 3rd on the subject of the granting of fiduciary powers to National banks. He stated that the Federal Reserve Agents on November 13th concurred in the statements contained in the memorandum and that he was advised the Conference of Governors yesterday approved same.

At his request, the Secretary read the memorandum from Counsel dated November 5th, attached to his memorandum, expressing the opinion that the Board's general policy of waiting a year after the organization of a new

National bank before granting trust powers to it, is contrary to the policy of Congress in granting trust powers to National banks.

Discussion ensued following which the Governor moved that the Board rescind any rulings which exist relating to the time of granting trust powers to newly organized National banks.

Carried.

The Governor then moved that the Board adopt the opinion contained in Counsel's memorandum of November 5th above referred to.

Mr. Miller moved, as a substitute, that the Board defer action on Counsel's memorandum until a meeting of the Board to be called at the convenience of the Chairman and that in the meantime Counsel be asked for an expression of his views as to the grounds on which the Federal Reserve Board might decline to grant a permit to a National bank to exercise fiduciary powers.

Mr. Miller's substitute motion being put by the Chair was carried, the members voting as follows:

The Chairman, "aye"  
Mr. Platt, "aye"  
Mr. Miller, "aye"  
Mr. James, "aye"  
Governor Young, "no"  
Mr. Hamlin, "no"  
Mr. McIntosh, "no"

At this point, the Chairman withdrew from the meeting and the Governor resumed the Chair.

The Governor then moved that the Secretary be authorized to address a letter to each Federal Reserve Agent advising that in considering applications referred to them by the Comptroller of the Currency for charters of National banks, including in their titles the words "and Trust Company", they refer the matter to the Executive Committee or Board of Directors of the Federal Reserve Bank and consider the question of granting trust powers at the same time the application for a charter is considered.

Mr. Miller moved, as a substitute, that a letter be prepared, along the lines set forth in the Governor's motion and submitted to the Board for consideration.

Mr. Miller's substitute motion, being put by the Chair, was carried.

In this connection, the Governor presented and the Secretary read a letter dated November 13th from Mr. S. W. Straus, President of S. W. Straus and Company, New York City, requesting prompt action on the application for permission to exercise fiduciary powers filed on behalf of the proposed "Straus National Bank and Trust Company"; the letter also setting forth reasons why in the opinion of the organizers the application for trust powers should be granted. In this connection, the Secretary reported a telephone conversation with General Counsel for the Federal Reserve Bank of New York during which he was advised that the latter has an appointment this afternoon with the Attorney General of the State of New York for the purpose of requesting a copy of the report which it is understood is on file in the Attorney General's office relating to the business ethics of certain of the organizers of the proposed "Straus National Bank and Trust Company".

After discussion, it was understood that the application of the proposed "Straus National Bank and Trust Company" will be considered this afternoon if information concerning the report above referred to is received from the Federal Reserve Bank of New York; otherwise as soon as the information in question is received.

At this point, Mr. McIntosh left the meeting.

The Governor then presented the following report of action taken by the Conference of Governors, with respect to the suggested revision of the Open Market Investment procedure of the Federal Reserve System:

"VOTED to be the sense of the Conference that it is in agreement with the recommendations of the Federal Advisory Council relative to the enlargement of the Open Market Investment Committee and that the Suggested Revision of Open Market Investment Procedure proposed for consideration and suggestion by the Conference should be changed as follows:

(1) That the Open Market Investment Committee, which is now composed of five Governors, be enlarged so as to include the other seven Governors, making a Committee of twelve, provided that in case of the inability of any Governor to attend, an alternate shall be appointed by the Directors of his bank.

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(2) That the Committee of twelve shall select from its membership an Executive Committee to consist of five members, which shall carry into effect the policies from time to time determined by the full Committee and approved by the Federal Reserve Board.

(3) That it shall be the function of the Open Market Investment Committee 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 or participating Federal reserve banks.

(4) 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.

(5) That the meetings of the Open Market Investment Committee, which shall be called either by the Board or by the Executive Committee of the Open Market Investment Committee shall be held in Washington or at such other place as may be arranged by the Chairman of the Executive Committee of the Open Market Investment Committee and the Governor of the Federal Reserve Board.

(6) That the procedure at meetings of the Open Market Investment Committee shall be in the future as in the past, to wit: that the Committee shall consider and act upon the recommendations of the Executive Committee and shall then meet with the Federal Reserve Board to discuss those recommendations with members of the Board before action by the Board."

A detailed discussion then ensued during which certain members of the Board called attention to the fact that the recommendation of the Governors' Conference, if adopted, would result merely in an enlargement of the present Open Market Investment Committee without any practical change in the existing procedure, and expressed the opinion that it would be desirable to have a stenographer present when this particular question is discussed at the Joint Conference tomorrow in order that a record may be had of the reasons for the action of the Governors in disapproving the changes suggested by the Board's Committee. Attention was called to the action of the Board at its meeting on November 10th, which has since been concurred in by both the Federal Reserve Agents and Governors' Conferences, in voting that the expense of full stenographic reports 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 makes a stenographic report advisable.

Following the discussion, Mr. Miller moved that a stenographer be employed for the purpose of reporting at the Joint Conference tomorrow with the Governors and Federal Reserve Agents any discussion on the subject of the proposed revision of the Open Market Investment procedure of the System.

Mr. Miller's motion was put by the Chair and carried, the members voting as follows:

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

At 1:10 p. m. the meeting recessed and reconvened at 4:00 p. m. with Messrs. Young, Platt, Hamlin, Miller and James present.

The Secretary read a letter dated November 15th from the Federal Reserve Agent at New York, with reference to the Clayton Act applications of Messrs. Robert Lehman, Henry R. Ickelheimer and S. Sloan Colt, involving the Commercial National Bank and Trust Company of New York City, which, together with that of Mr. Herbert P. Howell were considered at the meeting of the Board on October 26th and action deferred because of the unfavorable recommendation of the Federal Reserve Agent. In his letter, the Federal Reserve Agent advised (1) that he now thinks it permissible for Mr. Ickelheimer to serve as a director of the Commercial National Bank and Trust Company provided he will resign from either the United States Mortgage and Trust Company or the Fifth Avenue Bank; (2) that he thinks it permissible for Mr. Lehman to serve both the Commercial National Bank and Trust Company and the Corn Exchange Bank; and (3) that he does not see his way clear to withdraw his unfavorable recommendation regarding Mr. Colt.

After discussion, upon motion by Mr. Hamlin, it was voted to authorize Mr. Robert Lehman, member of the firm of private bankers of Lehman Brothers, to serve also as a director of the Commercial National Bank and Trust Company and the Corn Exchange Bank, both of New York City, it being understood that Mr. Lehman will sever his connection as director of the Foreman National Bank and the Foreman Trust and Savings Bank, both of Chicago, Ill.

Upon motion, it was also voted to authorize Mr. Henry R. Ickelheimer, a member of the firm of private bankers of Heidelberg, Ickelheimer and Company, to serve also as director of the Commercial National Bank and Trust Company, New York City, and either the United States Mortgage and Trust Company or the Fifth Avenue Bank, both of New York City, provided he resigns from one of the latter named institutions.

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At this point, Messrs. Cunningham and McIntosh joined the meeting.

The Governor then referred to the action of the Board this morning in voting to provide a stenographer for the purpose of making a stenographic record of any discussion which may take place at the Joint Conference tomorrow on the subject of the suggested revision of the Open Market Investment procedure of the System, and submitted the following statement:

"The action of the Board this morning in employing a reporter to take a stenographic record of the discussion at the joint conference of the Governors and Agents with the Federal Reserve Board in reference to Open Market procedure, I am sure was not taken with the intention of being discourteous to me. Nevertheless, I would appreciate it very much if the Board would reflect upon the facts. By majority vote the Board is making a stenographic record of my confidential statements, against my protest and wishes, for the use of others than those intended by me. I cannot bring myself to believe the Board intended to do this and I hope it will reconsider its action."

Mr. Cunningham then stated that in voting favorably this morning on the motion to provide a stenographer to make a record of discussion regarding Open Market procedure at the Joint Conference tomorrow, he did so without any desire to have a stenographic record of any statement which might be made by the Governor or any member of the Board, due to the fact that their position is continually made known to the Board and a statement regarding it can be requested at any time. He stated, however, that in order that there may be no misunderstanding or the slightest reflection upon any one engaging in the Conference tomorrow, or any question as to statements made before the Conference, he wished to move "That the vote by which the resolution adopted at the morning session was passed be reconsidered and that a stenographic record of the particular Joint Conference discussion referred to therein be prepared only if approved by the Governors and the Federal Reserve Agents."

Mr. Cunningham's motion, being put by the Chair, was carried, the members voting as follows:

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

The Governor then announced that at 9:30 tomorrow morning, prior to the Joint Conference, the Board will meet with the Governors for a discussion of the report of the Open Market Investment Committee.

The Secretary then advised the Board of the following conversation over the telephone with General Counsel for the Federal Reserve Bank of New York, with reference to an interview in the office of the Attorney General of the State of New York, regarding a reported investigation made by that office of the first mortgage concern in which are interested certain of the organizers of the proposed "Straus National Bank and Trust Company" of New York City.

Mr. Logan stated that he had called at the Attorney General's office but was unable to see the Attorney General and consequently could not say whether he would get the report. He stated that he had seen the man who actually made the investigations of the first mortgage companies, including the one in question, and thought he had obtained a good idea from this man of what the report contains. He said that the criticisms of the company were on two grounds. First, it did not segregate funds applicable to particular issues and amortization payments due on various issues were all paid into the underwriting company and were used for whatever purposes were convenient. He said that as a matter of fact they were used to make good defaults on certain issues so that the company could continue its advertising slogan "Not a dollar's loss to an investor in 45 years". Mr. Logan stated that he asked the man at the Attorney General's office specifically whether he had discovered anything that constituted a technical breach of trust. This man said "no", that he could never find any fault with the company's operations from a legal standpoint as its papers were so drawn as to legally permit the company to do what it did do, and that the criticisms related more to ethics than to violations of trusts. As to the second ground, Mr. Logan stated that he was advised there were no independent trustees. The trustees to the various issues were all officers of the underwriting company and, therefore, all under the absolute control of the underwriting company. As to criticisms against this particular company, he stated that there were less of them than against its competitors. The man Mr. Logan interviewed advised him that he thought this particular concern was in much better shape than most of the others. He stated that it is now an underwriting house, dealing in securities like any other Wall Street house, and has taken on no new first mortgage business for some time, and that the business which the company has is old business. This man stated to Mr. Logan that he felt that short of a national calamity there is no reason to anticipate anything going wrong with the company. Mr. Logan stated

that he asked the man in the Attorney General's office whether he knew of any instances in which the sinking fund of one issue had been used to purchase securities of an affiliated company or another issue. The man stated that he did not know of such use being made of sinking funds because the sinking fund for a particular issue could not be identified.

After discussion, it was moved that the Board approve the application of the Straus National Bank and Trust Company, New York City, for permission to exercise general fiduciary powers, effective if and when authorized by the Comptroller of the Currency to commence business.

The motion being put by the Chair was carried, the members voting as follows:

Governor Young, "aye"  
Mr. Hamlin, "aye"  
Mr. Cunningham, "aye"  
Mr. McIntosh, "aye"  
Mr. Miller, "no"  
Mr. James, "no"  
Mr. Platt, "not voting"

Mr. Cunningham then made the following statement in explanation of his vote, which was concurred in by Mr. Hamlin:

"Oral statements have been made relative to the ethics of certain of the applicants in the handling of trust matters in the State of New York.

In order that I might have the fullest information before passing judgment on the question, I supported a motion before the Federal Reserve Board, in regular session on November 7th, which directed the Secretary of the Board to request the Federal Reserve Agent of New York, to procure and submit to the Federal Reserve Board in Washington, a copy of the court record wherein the question of irregularities of the applicants in handling of trust funds in New York State, had been the cause of court action. This record has not been available.

Inasmuch as the criticisms of the applicants have not been confirmed by a written statement of facts; nor has there been any court record, or other public record, presented which purported to give the information sought for on this question, I am compelled to regard the criticisms as unsubstantiated, and on that account, I vote to approve this application."

The Governor then reported a telephone conversation with the Deputy Governor of the Federal Reserve Bank of New York during which he was advised that the officers of the bank have in mind making a recommendation to the

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Board of Directors that the bank's rates for purchases of acceptances be increased slightly. He stated that an expression of his views was requested and he replied that he believed it would be preferable to have an expression of the views of the Board but that he could not say how the Board felt as there appeared to be a division of opinion. He stated he was advised that any action taken will be taken today and was again requested to express his individual view which he then did; stating that he did not approve an increase in bill rates at the present time.

The Governor then reported that he had referred to the Conference of Governors now in session a report made by a committee consisting of Deputy Governor Rounds of the Federal Reserve Bank of New York and Mr. Smead, Chief of the Board's Division of Bank Operations, on the subject of Functional Expense Reports.

Noted with approval.

The Governor then submitted the following actions of the Governors' Conference yesterday November 14, as reported by the Secretary.

"In connection with the discussion of Topic 1-C of the program, relative to the general question of loans by Federal Reserve Banks to their member banks, it was voted to be the sense of the Conference that it would be advisable if the Federal Reserve Board should require all reporting member banks each week to report in the same manner now required of banks in some of the principal cities, the amount of their loans to brokers, loans on call and loans on time."

A discussion ensued during which members of the Board expressed concurrence in the suggestion of the Governors' Conference and it was agreed to discuss the matter at the Joint Conference tomorrow and to request that the Governors suggest a list of those cities from which it is believed the Board should secure reports at this time.

"After consideration of the suggestion presented by the Board in its letter of August 24, 1928 (X-6118), it was voted to be the sense of the Conference that, in view of the decreasing percentage of eligible paper in proportion to total loans and investments of all

"member banks, it is advisable that each Federal Reserve Bank should continue the efforts which it has made in the past to impress upon member banks the desirability of maintaining an adequate portfolio of eligible paper and, where necessary, to acquaint member banks with the kinds of paper legally eligible for rediscount.

"In further consideration of this Topic, it was also voted that the Federal Reserve Board issue a statement in the Bulletin relative to the subject, using substantially the first paragraph of their letter X-6118 as a basis for indicating that the officers of all Federal reserve banks will upon request gladly aid their member banks in arriving at a better understanding of what constitutes eligible paper."

After discussion, upon motion, it was voted to approve the recommendation of the Governors' Conference, it being substantially in harmony with that of the Federal Reserve Agents.

"After careful consideration of the suggestion contained in the Board's letter of September 4, 1928 (X-6124) relative to the establishment of a minimum maturity on member bank collateral notes, it was voted to be the sense of the Conference that, inasmuch as it appeared to the Conference that the establishment of a minimum maturity would fail to accomplish the purposes desired, no change should be made in the present procedure or regulations regarding the discount of such collateral notes."

The suggested regulation fixing a minimum maturity on member bank collateral notes, having been disapproved also by the Federal Advisory Council and by the Federal Reserve Agents' Conference, was, upon motion, disapproved by the Board.

"While the Conference did not have opportunity for thorough consideration of the matters referred to in the correspondence with Mr. Julius Klein with regard to the acceptance of Canadian currency at par in the United States, it was the sentiment of the Conference that it is impracticable to attempt a program looking toward the acceptance of such currency at par throughout this country, at least without some reciprocal arrangement for the establishment of redemption agencies in the United States or Canada, and even in such circumstances it is the sense of the Conference that it would be impossible wholly to eliminate the discount now prevailing on currency in cases where it is presented for payment at points distant from such redemption agencies."

After discussion it was voted that at the Joint Conference tomorrow the Board suggest that to further consider and report on the above matter, a committee be appointed, including possibly the managers of the branch Federal reserve banks at Buffalo, Detroit and Spokane, which are located near the Canadian border.

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"In consideration of the Board's letter No. X-6172 relative to the granting of trust powers to national banks, it was informally understood that the reaction of the Conference is favorable to the proposals outlined by Governor Young."

No action was taken on the above recommendation as the question of granting trust powers to national banks has already been made special order for business for a meeting to be held at the call of the Chairman.

"After thorough consideration of the various subjects raised under Topic 1-B-1, 2 and 3, (Discount rates and Open Market operations), it was voted, in view of the importance of reviewing this whole subject in the light of credit developments of the past year, to appoint a committee of governors to study the several subjects presented under this topic, and to report back to each governor as soon as practicable any conclusions or recommendations which the committee deems necessary with respect to Federal Reserve credit operations and policies in their relation to these subjects."

The above action was noted, it being understood that the topic covered will be discussed at the Joint Conference tomorrow.

Discussion then ensued with respect to the various amendments to the Federal Reserve Act which the Board from time to time has decided to recommend to Congress.

Upon motion, the Law Committee was requested to report to the Board with respect to the more important amendments on which prompt action by Congress should be requested.

The Governor then submitted the following report, just received from the Secretary of the Federal Reserve Agent's Conference, of the proceedings of the Conference today:

"At today's session of the Federal Reserve Agents' Conference, all were present except Mr. McGarrah, who, as Acting Governor of the Federal Reserve Bank of New York, attended the Governors' Conference. The following action was taken.

Topic 3-E, as to how officers of Federal Reserve banks should answer questions when such a thing as a run occurs, was discussed. While some inquiries and some situations require special treatment, the opinion was expressed that officers of Reserve banks should keep out of such cases as much and as long as possible. It was suggested that answers be made by one designated officer, and that his replies do not attempt to pass on the solvency, this question to be referred to the Chief National Bank Examiner or State Bank Commissioner as the case demands.

"Topic 3-F, regarding the New York injunction case. There was read a memorandum submitted by Mr. McGarrah, which stated that in this suit the plaintiff, Frank G. Raichle, of Buffalo, New York, sought an injunction to restrain the Federal Reserve Bank of New York from raising its discount rate, from issuing 'propaganda' as to a credit shortage, from selling securities in order to take funds out of the market, and from bringing pressure to bear upon member banks to prevent them from making loans on securities. He also asked the court to compel the bank to establish a 'reasonable' rate of discount. The New York bank employed Mr. Newton D. Baker to defend the suit, and he wrote a brief which outlined the history of Federal banking legislation and showed that the act was intended to give the Reserve banks and the Board broad discretionary powers for the express purpose of enabling them to control credit in the interests of industry, commerce and agriculture. He urged for a dismissal of the complaint and Judge Winslow decided that the bill of complaint did not state facts sufficient to constitute a cause of action and hence dismissed it.

Topic 3-J, regarding Examination Departments. As this subject was covered in the discussion of Topic 1-H, regarding Governor Young's memorandum X-6173 on examination of State member banks, no further action was taken.

Topic 3-K, concerning services to member banks. There was no further discussion of this subject, as it was covered in the report of the Bank and Public Relations Committee, Topic 2-C.

Topic 3-L, relative to State bank membership. Statement was made that some large member banks dissuade smaller institutions from joining the System, in order to obtain their business. It was felt that it was unfair for the large member banks to do this, as their facilities are augmented by the Reserve banks, and that when such practices are discovered they should be gone into carefully. The reasons for the loss of membership in some of the districts were discussed, among which were consolidations, voluntary and involuntary liquidations, and voluntary withdrawals.

Topic 3-N, in regard to Discount Rate and Open Market Policy. This subject was discussed in considering Topics 3-A, 3-B and 3-C, and no further action was taken.

Referring to minute 13th inst., relative to Governor Young's memorandum of October 27, 1928, X-6176, in regard to passing on applications for reduction in reserve requirements, at his request, the memorandum was again considered with the first sentence of paragraph 2 amended to read as follows: 'If distance alone is not a determining factor, which ones, in addition to bank deposits, of the following should be determining factors:' On motion, duly made and seconded, it was voted that an outlying district should not be determined by distance alone, and that in addition to bank deposits, paragraph "d" of the memorandum should be the determining factor, the same reading as follows: '(d) Outlying banks which depend largely upon savings accounts and checking accounts of individuals and small shopkeepers.'

Mr. Martin was reelected Chairman of the Conference and Mr. Curtiss, Vice-Chairman. The Chairman was authorized to appoint whomever he desired as Secretary.

The following standing committees were appointed.

Executive Committee: Messrs. Martin, Chairman, Curtiss, Vice-Chairman, Heath, Austin, Mitchell and McGarrah.

Committee on Reserves: Messrs. Curtiss, Chairman, McClure and Walsh.

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"Bank and Public Relations Committee: Messrs. Heath, Chairman, DeCamp, Oscar Newton and McGarrah.

Committee on National Summary of Business Conditions: Messrs. Austin, Chairman, Curtiss and McGarrah.

Committee on Bank Examinations and Reports: Messrs. Hoxton, Chairman, Mitchell and DeCamp.

Relative to the recommendation of the Committee on National Summary of Business Conditions that other reserve banks be represented on the committee, (Topic 2;D), it was pointed out that Mr. Martin of St. Louis, as Chairman of the Conference, is ex-officio a member of the committee and that no further representation was deemed necessary.

It was stated that the Federal Reserve Board had called the joint conference with Federal Reserve Agents and Governors for 10:00 a. m. on Friday, November 16, 1928.

The Federal Reserve Agents having finished consideration of the matters placed on their program, adjourned at 1:00 p. m., subject to the call of the Board."

The action of the Conference with respect to information to be furnished by Federal Reserve banks in the case of runs on member banks was noted with approval.

The recommendation with respect to applications for reductions in reserve requirements by outlying banks, amending the recommendation made by the Conference on November 13th in the light of the change made by Governor Young in his memorandum on the subject, was noted and action thereon was deferred.

The other matters referred to were noted but not considered by the Board at this time.

#### REPORTS OF STANDING COMMITTEES:

Dated, November 1st, 14th, Recommending changes in stock at Federal Reserve Banks as set forth in the Auxiliary Minute Book of this date. Recommendations approved.

Dated, November 2nd, Recommending approval of the application of Mr. Edward L. Love for permission to serve at the same time as director of the Straus National Bank & Trust Company of New York City, as director of the State Bank of Richmond County of Port Richmond, N. Y., and as a member of the firm of Private bankers of Love, Macomber & Company, New York City.

Recommendation approved.

Dated, November 2nd, Recommending approval of the application of Mr. Edgar B. Bernard for permission to serve at the same time as Director of the Straus National Bank & Trust Company of New York City and as a member of the firm of private bankers of Colvin and Company of New York City.

Recommendation approved.

11/15/28

REPORTS OF STANDING COMMITTEES: (Continued)

Dated, November 5th, Recommending approval of the application of Mr. Simon W. Straus for permission to serve at the same time as director and officer of the Straus National Bank and Trust Company of New York City, as director and officer of the Straus National Bank and Trust Company of Chicago, Ill., and as director and officer of the Franklin Trust & Savings Bank of Chicago, Ill.

Recommendation approved.

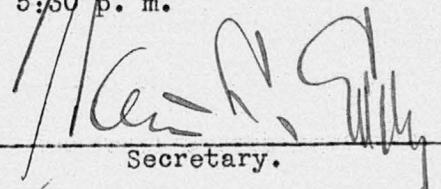
Dated, November 12th, Recommending approval of the application of Mr. James Mitchell for permission to serve at the same time as director of the Hudson County National Bank, Jersey City, N. J., and as director of the Labor National Bank, Jersey City, N. J.

Recommendation approved.

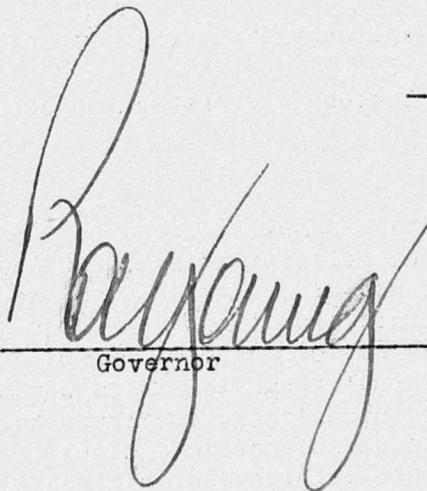
Dated, November 13th, Recommending approval of the application of Mr. Albion A. Perry for permission to serve at the same time as director of the Somerville National Bank, Somerville, Mass., and as director of the Somerville Trust Company, Somerville, Mass.

Recommendation approved.

The meeting adjourned at 5:30 p. m.

  
Secretary.

Approved:

  
Governor