

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, January 13, 1927 at 11:00 a.m.

PRESENT: Governor Crissinger  
Mr. Platt  
Mr. Hamlin  
Mr. James  
Mr. Cunningham  
Mr. Noell, Asst. Secretary  
Mr. McClelland, Asst. Secretary

The Governor referred to the fact that at the meeting on December 15th, following a discussion as to the present and future status of the position of Chairman and Federal Reserve Agent at the Federal Reserve banks, it was decided that details with respect to changes effective January 1, 1928, to be taken up during the year 1927, should be made the subject of a special meeting to be called by the Governor on or before January 15th. He stated that Mr. James was leaving town this afternoon to be absent the balance of the week and that Mr. Miller would also probably not be in the office during that period.

Upon motion by Mr. Hamlin, it was voted that the matter be deferred subject to the order of the Governor on reasonable notice.

Report of Law Committee on application of the First National Bank in Brownsville, Texas, for permission to exercise fiduciary powers; the Committee concurring in a recommendation of the Executive Committee of the Federal Reserve Bank of Dallas that approval of the bank's application be restricted to the granting of permission to act as trustee.

Upon motion, it was voted to authorize the First National Bank of Brownsville to act as trustee only.

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Matter approved on initials on January 10th, namely, memorandum from the Governor with regard to telephone request received from the Federal Reserve Bank of New York that the Board approve of the Central Mercantile Bank and Trust Company of New York taking over the Broadway Central Bank and operating it as a branch.

Formally approved.

Matter approved on initials on January 8th, namely, favorable report of Committee on Salaries and Expenditures on letter dated December 30th from the Chairman of the Federal Reserve Bank of San Francisco, requesting approval of an additional extension of three months leave of absence from January 1st, 1927, with full pay, for Mr. Hans Flo, an employee of the Salt Lake City Branch.

Formally approved.

Telegram dated January 12th from the Chairman of the Federal Reserve Bank of Boston, advising that the board of directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Telegram dated January 13th from the Chairman of the Federal Reserve Bank of Richmond, advising that the board of directors on that day made no change in the bank's existing schedule of rates of discount and purchase.

Noted.

Letter dated January 6th from the Chairman of the Federal Reserve Bank of San Francisco, advising of directors appointed to serve on the Executive Committee of the bank during 1927.

Noted.

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Letter dated January 6th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the reappointment of Mr. Henry S. McKee as member of the Federal Advisory Council from the 12th District for the current year, with compensation and allowances of \$750.00 for each meeting in Washington which he attends.

Noted, with approval.

Letter dated January 6th from the Chairman of the Federal Reserve Bank of San Francisco, advising of the reappointment of Mr. Allan Sproul as Secretary of the board of directors of that bank for the ensuing year.

Noted.

Letter dated January 6th from the Chairman of the Federal Reserve Bank of San Francisco, advising of officers elected to serve at that bank and its branches during the year 1927.

Noted.

Letter dated January 6th from the Chairman of the Federal Reserve Bank of San Francisco, advising of fees and allowances fixed for directors of the head office and branches of that bank; together with memorandum from the Secretary advising that the fees and allowances are the same as those now in effect which have previously been approved by the Board.

Noted, with approval.

Letter dated January 7th from the Federal Reserve Agent at Minneapolis, advising of the resignation effective January 1st of Mr. Lee M. Ford, director of the Helena Branch; together with memorandum from the Secretary advising that Mr. Ford's term of office would have



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expired December 31, 1928 but his resignation was submitted in accordance with the plan of the Federal Reserve Bank of Minneapolis to reduce the membership of the Helena Board from seven to five.

Noted.

Report of Committee on Salaries and Expenditures on letter dated January 7th from the Federal Reserve Agent at Boston, requesting approval of the extension until January 15th, with full pay, of leaves of absence on account of illness previously granted Miss Dorothy E. Wadman of the Money Department and Miss Ruth F. Warren of the Transit Department; the Committee recommending approval.

Upon motion, it was voted to approve payment of full salary of Miss Wadman and Miss Warren until January 15th.

Letter dated January 8th from Mr. Clarence M. Woolley tendering his resignation as Deputy Chairman of the board of directors of the Federal Reserve Bank of New York, effective today.

Upon motion, it was voted to accept Mr. Woolley's resignation as Deputy Chairman.

Letter dated January 5th from the President of the Seaboard National Bank, Los Angeles, Cal. advising that the institution has a capital of \$1,000,000, with surplus of \$100,000, and inquiring whether it would be ineligible to qualify for permission to exercise trust powers under the policy of the Board to grant such powers only to banks having a surplus account equal to 20% of their capital.

Referred to the Law Committee.

Draft of reply prepared by the Vice Governor, as Chairman of the Committee on Examinations to letter dated January 8th from the Federal

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Reserve Agent at Boston inquiring whether the Exchange Trust Company of Boston, Mass. under the general condition of its membership in the System must apply to the Board for approval of an increase from \$328,000 to \$1,500,000 in the amount of its investment in real estate for banking purposes, which increase it is proposed will be made under a special act of the State Legislature in view of a legal limit of \$400,000 now imposed upon trust companies in the state of Massachusetts and will be preceded by an increase of \$250,000 in both the bank's capital and surplus, thereby bringing capital and surplus to the amount of \$1,250,000 each; the proposed letter stating that unless the Federal Reserve Agent considers the proposed investment in banking house dangerously large for the bank after its increase in capital there would seem to be no reason why the matter should be referred to the Board which has never applied the general condition of membership to a case of this kind.

After discussion of the proposed reply, Mr. Cunningham moved that in lieu of the above letter, the Federal Reserve Agent at Boston be advised that when the legislature of the state of Massachusetts has given permission to the bank to increase its investment in real estate the matter should be submitted to the Board for approval, together with a current analysis of the condition of the bank.

Mr. Cunningham's motion being put by the Chair was carried, Mr. Platt voting "no".

Letter dated December 28th from the Federal Reserve Agent at Dallas, advising that there are no statutory regulations either in Texas or Arizona with regard to the kind of investments in which corporate fiduciaries would be required to invest trust funds, the only restriction being in Arizona

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precluding mining stock; the Federal Reserve Agent inquiring whether it would meet with the approval of the Board to take this matter up with the State Bankers Associations of Texas and Arizona with the view of having proper statutory legislation enacted.

Referred to the Law Committee.

Memorandum dated January 8th from the Board's Chief Examiner, calling attention to the failure of the Shawmut Corporation of Boston, Massachusetts to comply with written request for a report of condition as at the close of business June 30, 1926 and recommending that a letter be authorized to be sent to the President of the Corporation requiring prompt compliance in accordance with the terms of the agreement existing between the Board and the Corporation.

Approved.

Memorandum from the Chief Examiner dated January 8th, with reference to the matter referred to him on October 20th, namely, letters from the Chairman of the Federal Reserve Bank of Atlanta advising of action taken on the various criticisms and suggestions made by the Examiner following the examination of the bank as at the close of business July 10, 1926.

Noted.

Memorandum from Counsel dated January 6th on the matter referred to the Law Committee at the meeting on December 10th, namely, letter dated November 29th from the Deputy Governor of the Federal Reserve Bank of New York, transmitting copy of a communication to the Governor of the National Bank of Belgium, formally appointing that bank the agent and correspondent of the Federal Reserve bank and defining in detail the terms and conditions under



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which the Federal Reserve bank will purchase bills and government securities for them and perform such other services as are now undertaken for other foreign central banks with whom reciprocal relations exist; Counsel stating he can find no legal objection to the matters contained in the agreement, the main features of which are substantially similar to those of other agreements entered into between the Federal Reserve bank and central banks of other foreign countries.

Noted.

Memorandum from Counsel dated January 6th on the matter referred to the Law Committee at the meeting on December 7th, namely, letter dated December 3rd from the Federal Reserve Agent at Chicago recommending that the Farmers State Savings Bank of Bay City, Michigan, be requested to file application for withdrawal from membership in the Federal Reserve System; Counsel stating that there is no legal reason why the Federal Reserve Agent should not request the bank to make application for withdrawal if it is considered to be an undesirable member but suggesting, if the Board does not wish to approve the procedure recommended by the Federal Reserve Agent unless the bank is subject to expulsion from membership under Section 9 of the Federal Reserve Act, that the Agent be requested to furnish the Board with more definite information as to whether the bank has violated the provisions of the Board's regulations or of the conditions of membership under which it was admitted to the System or any provisions of Section 9 of the Act which would subject it to expulsion from membership in the System.

After discussion, it was voted to request the Federal Reserve Agent to furnish the additional information suggested in Counsel's memorandum.

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Letter dated January 12th from the Acting Secretary of the Treasury, enclosing letter from the Farm Loan Commissioner with regard to the recent opinion of the Board that Federal Reserve banks are without legal authority to receive securities for safekeeping from Federal Land Banks or Farm Loan Registrars; the Acting Secretary inquiring whether the Board sees any objection to handling the situation by having the Federal Reserve banks accept securities for safekeeping subject to the order of the Farm Loan Commissioner for account of Farm Loan Registrars for specified Federal or Joint Stock Land Banks upon the authorization of the Treasury to do so as fiscal agents of the United States, particularly as such registrars are stated to be "public officials" in Section 3 of the Federal Farm Loan Act. The Governor also submitted an opinion from the Board's Counsel that the Board, if it so desires, may properly accept the decision of the Secretary of the Treasury as to whether the receipt of securities from Farm Loan Registrars for safekeeping is a fiscal agency function which Federal reserve banks may perform, if the Secretary should make request that they do so.

Following a discussion, Mr. Hamlin moved that the Secretary of the Treasury be advised that the Federal Reserve Board sees no objection to the Federal Reserve banks acting as fiscal agents in accepting government securities for safekeeping from Farm Loan Registrars, if requested to do so by him.

Carried.

Letter dated January 11th from the Deputy Governor of the Federal Bank of New York, with regard to the proposal of the Board to change the



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weekly statement of condition of Federal Reserve banks so as to separate under the caption "Bills Bought in Open Market" those payable in dollars, and those payable in foreign currency; the Deputy Governor requesting postponement of any change in the weekly statement at least until January 19th, before which time he hopes to have an opportunity of discussing the matter with the Board.

Upon motion, the Governor was authorized to defer any change in the weekly statement until January 19th.

Letter dated January 11th from the Director of the Veterans Bureau replying to the Board's letter of January 10th, making certain inquiries with respect to loans secured by Adjusted Service Certificates, particularly the payment of notes by the Veterans Bureau when presented directly by Federal Reserve banks.

Upon motion, it was voted that copies of the letters exchanged with the Director should be sent to all Federal Reserve banks for their information.

Mr. James, Chairman of the Committee on Salaries and Expenditures then submitted without recommendation by that Committee or the Committee on District #7, letters dated December 29th and 30th from the Chairman of the Federal Reserve Bank of Chicago, requesting reconsideration by the Board of its action in disapproving recommendations of the board of directors of that bank for increases in the salaries of Mr. J. H. Blair, Deputy Governor, Mr. Charles L. Powell, General Counsel, and Mr. Arthur L. Olson, Secretary. Mr. James stated that the Committees were not prepared to submit recommendations, particularly in the case of Mr. Charles L. Powell, Counsel of the

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bank.

Upon motion, it was voted to refer to the Law Committee for report the increase from \$8,000 to \$10,000 per annum recommended in the salary of Mr. Powell.

After discussion, with the understanding that his motion would be permitted to lay on the table pending report by the Law Committee regarding the recommendation for an increase in Mr. Powell's salary, Mr. Cunningham moved that the Board approve the increase from \$25,000 to \$28,000 per annum recommended in the salary of Mr. J. H. Blair, Deputy Governor.

Mr. James stated that in the event Mr. Cunningham's motion was brought up for action during his absence he desired to be recorded as voting "no" thereon.

Memorandum from Counsel dated December 20th, submitting for the Board's information a comparison of three bills recently introduced in the House of Representatives and of the so-called McFadden Bill as it passed the House of Representatives and as it passed the Senate during the first session of the 69th Congress.

Ordered circulated.

Governor Crissinger reported that in accordance with the discretion granted him at the meeting on January 4th, he has decided to withhold, pending the appointment of a Federal Reserve Agent at New York, advice to the bank regarding the Board's action of December 28th regarding the discontinuance of the services of Mr. Carl Snyder, Statistician at the bank and the studies in long time trends which he has been conducting.

The minutes of the meeting of the Federal Reserve Board held on

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January 8th were then read and approved as amended.

The minutes of the meetings of the Federal Reserve Board held on January 10th and 12th were read and approved.

REPORTS OF STANDING COMMITTEES:

Dated, January 10th, Recommending changes in stock at Federal Reserve banks  
11th, as set forth in the Auxiliary Minute Book of this  
12th, date.

Approved.

Dated, January 11th, Recommending action on application for fiduciary  
powers as set forth in the Auxiliary Minute Book  
of this date.

Approved.

Dated, January 6th, Recommending approval of the application of Mr.  
W. A. Bonyng, Jr. for permission to serve at the  
same time as director and officer of the Commercial  
National Trust and Savings Bank, Los Angeles, Cal.,  
as director of the Bank of America, Los Angeles, Cal.  
and as director of the Bank of Italy, San Francisco,  
Cal.

Approved.

Dated, January 6th, Recommending approval of the application of Mr.  
Charles C. Chapman for permission to serve at the  
same time as director and officer of the Commercial  
National Trust and Savings Bank, Los Angeles, Cal.,  
as director of the Bank of America, Los Angeles, Cal.  
and as director of the Bank of Italy, San Francisco,  
Cal.

Approved.

Dated, January 6th, Recommending approval of the application of Mr.  
Jay E. Randall for permission to serve at the same  
time as director of the National Bank of Commerce,  
Pasadena, Cal., as director of the Commercial National  
Trust and Savings Bank, Los Angeles, Cal. and as  
director of the Bank of America, Los Angeles, Cal.

Approved.

Dated, January 6th, Recommending approval of the application of Mr.  
L. M. MacDonald for permission to serve at the same  
time as director and officer of the Commercial  
National Trust and Savings Bank, Los Angeles, Cal.,  
as director and officer of the Bank of America, Los  
Angeles, Cal. and as director of the Bank of Italy  
San Francisco, Cal.

Approved.



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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, January 6th, Recommending approval of the application of Mr. Orra E. Monnette for permission to serve at the same time as director of the Commercial National Trust and Savings Bank, Los Angeles, Cal., as director and officer of the Bank of America, Los Angeles, Cal., and as director of the Bank of Italy, San Francisco, Cal.  
Approved.

Dated, January 6th, Recommending approval of the application of Mr. W. J. Braunschweiger for permission to serve at the same time as director of the Commercial National Trust and Savings Bank, Los Angeles, Cal. and as Vice President and director of the Bank of America, Los Angeles, Cal.  
Approved.

Dated, January 6th, Recommending approval of the application of Mr. H. R. Erkes for permission to serve at the same time as director and officer of the Commercial National Trust and Savings Bank, Los Angeles, Cal. and as director of the Bank of America, Los Angeles, Cal.  
Approved.

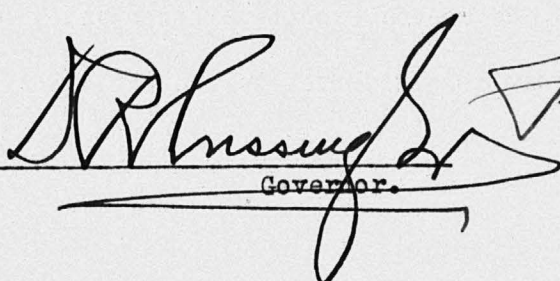
Dated, January 6th, Recommending approval of the application of Mr. R. E. Miller for permission to serve at the same time as director of the Bank of Italy, San Francisco, Cal., as director of the Bank of America, Los Angeles, Cal. and as director and president of the Liberty Bank, San Francisco, Cal.  
Approved.

Dated, January 10th, Recommending approval of the application of Mr. Samuel V. Alwine for permission to serve at the same time as director of the Citizens National Bank, Waynesburg, Pa. and as director of the Rices Landing National Bank, Rices Landing, Pa.  
Approved.

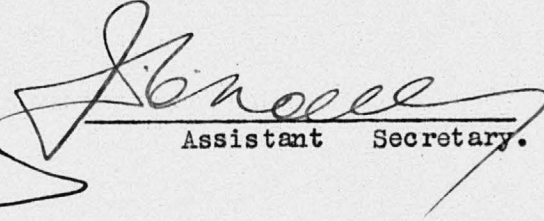
Dated, January 10th, Recommending approval of the application of Mr. Anthony Anacreonte, Jr. for permission to serve at the same time as director of the Prospect National Bank, Brooklyn, N. Y. and as director of the Atlantic State Bank, Brooklyn, N. Y.  
Approved.

The meeting adjourned at 12:15 p.m.

Approved:



Governor.



Assistant Secretary.