

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, January 19, 1927 at 11:30 a.m.

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

The minutes of the meetings of the Federal Reserve Board held on January 13th and 14th were read and approved.

The Governor referred to the action of the Board on January 13th in authorizing him to defer until January 19th the change approved in the 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. He stated that Deputy Governor Harrison of the Federal Reserve Bank of New York had expected to come to Washington before today to discuss the proposed change, but being unable to do so requested a further postponement.

Upon motion, the Governor was authorized to defer for another week making the change referred to.

Letter dated January 13th from the Secretary of the Federal Reserve Bank of New York, 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 14th from the Chairman of the Federal Reserve Bank of Atlanta, 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.

1/19/27

-2-

Telegram dated January 19th from the Chairman of the Federal Reserve Bank of St. Louis, 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 17th from the Secretary of the Federal Reserve Bank of Minneapolis, 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 Kansas City, 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.

Memorandum from the Secretary dated January 19th, requesting authority for the employment of a stenographer with salary at the rate of \$1600 per annum, to be assigned to Mr. Gilbert, Supervisor of Examination.

Approved.

Report of Executive Committee on letter dated January 15th from the Comptroller of the Currency, requesting approval of a salary of \$2700 per annum for National Bank Examiner Cornelius A. Donahue, assigned to the Twelfth Federal Reserve District; the Committee recommending approval.

Approved.

Report of Executive Committee on letter dated January 15th from the Comptroller of the Currency, requesting approval of a salary of \$3600 per annum for National Bank Examiner Edwin M. Watson, assigned to the Tenth Federal Reserve District; the Committee recommending approval.

1/19/27

-3-

Approved.

Report of Executive Committee on letter dated January 14th from the Comptroller of the Currency, recommending approval of increases in the salaries of 69 National Bank Examiners listed therein; the Committee recommending approval.

Approved.

Letter dated January 15th from Mr. Lee R. Uhler of Tampa, Fla. requesting permission to reprint in the House Organ of The Uhler Association, the pamphlet on the subject of "Better Banking under the Federal Reserve System".

Upon motion by Mr. Hamlin, it was voted to permit the reprinting of the pamphlet with the understanding that proper credit therefor will be given.

The Governor then suggested that Mr. Carl E. Parry, be designated as Assistant Director of the Board's Division of Research and Statistics. He stated that Mr. Miller, Chairman of the Committee on Research and Statistics, approved of the designation.

Upon motion, Mr. Parry was appointed as Assistant Director of the Division.

Memorandum from the Governor submitting letter addressed to him by Mr. Claude Gilbert, recommending the appointment as Examiner of Mr. M. D. Smiley at a salary of \$7500 per annum.

Upon motion, it was voted to employ Mr. Smiley at the salary stated.

Report of Committee on Salaries and Expenditures on letter dated January 13th from the Federal Reserve Agent at Dallas, requesting approval

1/19/27

-4-

of the payment of full salary to Mrs. H. F. Bryson, an employee of the Service Department, during leave of absence on account of illness from December 5th to December 31st; the Committee recommending approval.

Approved.

Report of Executive Committee on letter dated January 14th from the Federal Reserve Agent at Chicago, recommending approval of an application of the Mechanics National Bank, Milwaukee, Wis. for a reduction in its reserve requirements from 10% to 7% of demand deposits; the Committee also recommending approval.

Approved.

Letter dated January 8th from the Chairman of the Federal Reserve Bank of San Francisco, advising that Mr. Charles E. Gaches, who at the time of his appointment by the Board as a director of the Seattle Branch was engaged in agriculture, has since engaged in banking and is at the present time Vice President of the Peoples Savings Bank of Seattle, a nonmember bank; the Chairman requesting advice from the Board as to whether it is advisable for an official of a nonmember institution to act as a director of the Branch.

After discussion, Mr. Miller moved that the Chairman of the Federal Reserve Bank of San Francisco be advised that the continuance of Mr. Gaches as a director of the Seattle Branch would be inconsistent with the principles outlined in the Board's Regulations governing the appointment of Branch Bank directors, as he has ceased to be a non-banker and that Mr. Newton be requested to take up with Mr. Gaches the matter of his retirement and to submit to the Board recommendations for a qualified successor.

1/19/27

-5-

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

Memorandum from Mr. Cunningham dated January 19th with reference to letter dated January 11th from the Federal Reserve Agent at San Francisco, transmitting and recommending approval of an application of the American Trust Company of San Francisco, the consolidation of the Mercantile Trust Company and the American Bank of San Francisco, for permission to take over the Bank of Sausalito with its branch at Tiburon and to establish two branches in the premises; Mr. Cunningham in his memorandum pointing out that Sausalito and Tiburon, which are located across the Bay from San Francisco, have not been defined by the Board as contiguous to that city and recommending that the application be denied because they are not contiguous and because the establishment of additional branches can well await action by Congress upon the so-called McFadden Bill which undertakes to define the area within which a branch may be established.

A discussion ensued as to whether or not Sausalito and Tiburon should be defined as contiguous to the city of San Francisco in the same manner as Oakland, Berkeley and Alameda which are also situated across the Bay from San Francisco have been designated as contiguous thereto.

Further discussion ensued as to whether or not Sausalito and Tiburon were incorporated municipalities and the Secretary reported that according to the records of the Census Bureau Sausalito was incorporated although Tiburon was not.

Following the discussion, Mr. Miller moved that in accordance with the precedent established by the interpretive ruling of the Board of December 2, 1924, to the effect that the cities of Oakland, Berkeley and Alameda are territory contiguous to

1/19/27

-6-

the city of San Francisco, within the meaning of the Board's Regulation "H", the Board now rule that the city of Sausalito is territory contiguous to the city of San Francisco; the city of Sausalito sustaining substantially the same relation to the city of San Francisco as the cities of Oakland, Berkeley and Alameda.

Mr. Cunningham moved, as a substitute, that the application of the American Trust Company be laid on the table until January 26th with the understanding that Mr. Miller's motion will come up for vote at that time.

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

Letter dated January 13th from the Secretary of the Federal Advisory Council, advising that the next meeting of the Council will be held in Washington on Friday, February 18th, and requesting a list of topics which the Board desires to have discussed at the meeting.

Referred to the Executive Committee.

Letter dated January 17th from the Federal Reserve Agent at Chicago, advising that excavation work for the Branch Bank building at Detroit has practically been completed and that certain minor changes in plans, which will probably result in a saving to the Federal Reserve bank, have been made necessary by changes in the excavation work.

Noted, with approval.

Memorandum from the Chief of the Division of Bank Operations, approved by the Executive Committee, submitting draft of a letter to all Federal Reserve Agents, requesting that in the future all reporting member banks in leading cities show in their weekly condition reports amounts due to banks and bankers and amounts due from banks and bankers, which information

1/19/27

-7-

up to the present time has been shown only by reporting member banks in Federal Reserve bank cities.

Upon motion, the proposed letter was approved.

Letter dated January 14th from the Assistant Federal Reserve Agent at New York, requesting that they be furnished by telephone some time during the day Monday, information which would enable them to release simultaneously with the Board the weekly report of condition of member banks in leading cities, including the summary and comment prepared in the Board's offices; the Assistant Federal Reserve Agent stating that newspapers are now receiving the report by telephone and telegraph from Washington, with a large chance of error, and are not giving the space to the report that they would if the figures could be furnished them in New York.

The Secretary reported that there would be no mechanical difficulty in furnishing the information and upon motion it was voted to approve the request.

Letter dated January 15th from the Chairman of the Federal Reserve Bank of Kansas City, advising of officers elected to serve at that bank during the year 1927.

Noted.

Letter dated January 13th from the Federal Reserve Agent at Boston referring to the action of the Board in approving payment of full salary until January 15th to Miss Dorothy E. Wadman and Miss Ruth F. Warren, who have been absent from the bank on account of illness since October 13th

1/19/27

-8-

and October 18th, respectively, and to his letter of January 7th advising that the services of these employees will be discontinued as of January 15th; the Federal Reserve Agent advising of the action of the board of directors of the bank at their last meeting in voting that the salaries of the two employees above mentioned be continued until such time as discontinued by that board or otherwise ordered by the Federal Reserve Board.

After full discussion, Mr. Cunningham moved that the action of the board of directors of the Federal Reserve Bank of Boston be approved.

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

Letter dated January 15th from the Chairman of the Federal Reserve Bank of Kansas City, requesting approval of increases in the salaries of the Managing Directors of the Branches of the Bank as follows:

Omaha

L. H. Earhart, - \$8,400 - \$9,000

Denver

J. E. Olson, - 6,500 - 8,000

Oklahoma City

C. E. Daniel, - 7,000 - 8,000

Upon motion by Mr. Cunningham, the above increases were approved, Mr. Miller voting "no".

Letters dated January 13th from the Chairman of the Federal Reserve Bank of Boston, advising of the appointment of Mr. Arthur M. Heard as member of the Federal Advisory Council for the year 1927 and of officers elected to serve at the bank during the year; the Chairman requesting approval of

1/19/27

-9-

the action of the directors of the bank in voting to increase the salary of Mr. K. K. Carrick, Secretary, from \$7,500 to \$9,000 per annum and stating that Mr. Carrick devotes about one half of his time to legal work, his salary being prorated in the annual budget, one half for legal services and one half for his official position as Secretary.

Upon motion, it was voted to refer the increase recommended for Mr. Carrick to the Law Committee for report.

Memorandum from Counsel dated January 7th on the matter referred to the Law Committee at the meeting on November 26th, namely, recommendations of the last Conference of Governors - (1) That it is advisable to seek to procure an amendment to the law to restore to Federal courts jurisdiction over suits by and against Federal Reserve banks and (2) That it is desirable to seek the enactment of legislation to exempt Federal Reserve banks from the processes of attachment or garnishment before final judgment in any case, as national banks are now exempt under the terms of the United States Revised Statutes; Counsel stating that these suggestions are important and it is desirable to recommend such amendments to Congress at the earliest favorable moment, but for reasons stated recommending that the matter be held in abeyance until the next session of Congress.

Upon motion, it was voted to approve Counsel's recommendation that the proposed amendments be held in abeyance.

Memorandum from Counsel dated January 7th on the matter referred to him at the meeting on November 26th, namely, recommendation of the last Governors' Conference on the question of the eligibility for rediscount at Federal Reserve banks of notes of parent corporations representing borrowings

1/19/27

-10-

of funds to be advanced to subsidiaries; Counsel submitting draft of a letter to all Federal Reserve banks abrogating the Board's former ruling on the subject (X-4484 dated December 30, 1925), and ruling in lieu thereof as follows:

"Where the borrower is a parent corporation having a number of subsidiaries and the parent corporation and its subsidiaries are in practical effect one single organization, and may with propriety be considered a single borrower, the paper of such parent corporation, the proceeds of which have been used or are to be used by the parent corporation or by the subsidiary corporations for an industrial, commercial or agricultural purpose, within the meaning of the Federal Reserve Act and the Board's Regulations, may be considered eligible for rediscount if it complies in all other respects with the provisions of the law and the Regulations of the Federal Reserve Board."

After discussion, Mr. Hamlin moved approval of the ruling contained in the letter submitted by Counsel and that the letter be transmitted.

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

Governor Crissinger, "aye"
 Mr. Platt, "aye"
 Mr. Hamlin, "aye"
 Mr. Miller, "no"
 Mr. Cunningham, "no"

Report of Committee on Salaries and Expenditures on letter dated January 13th from the Federal Reserve Agent at San Francisco, requesting approval of the appointment of Mr. John F. Prah as Examiner, effective February 7, 1927, with salary at the rate of \$4,800 per annum; the Committee recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated January 14th from the Federal Reserve Agent at San Francisco, requesting approval of the appointment of Mr. Henry D. Swengel as Examiner, effective February 1, 1927, with salary at the rate of \$4800 per annum; the Committee recommending approval.

Approved.

1/19/27

-11-

Memorandum from Counsel dated January 8th on the matter referred to the Law Committee at the meeting on November 26th, namely, action of the recent Governors' Conference with reference to the eligibility for rediscount and purchase by Federal Reserve banks of bankers acceptances drawn by an elevator or warehouse company and secured by terminal warehouse receipts of the elevator or warehouse company that draws the draft; Counsel stating that the matter is one of policy for determination by the Board but suggesting, if the Board is not entirely satisfied as to the value of terminal grain elevator or warehouse receipts issued under the circumstances described in the recommendation of the Governors' Conference, that Mr. H. S. Yohe of the Department of Agriculture, who discussed the matter with the Conference, be requested to come before the Board and give his opinion whether as a practical matter these receipts are equivalent to receipts issued by a warehouseman independent of the borrower.

After discussion, it was voted to request Mr. Yohe to come before the Board.

Memorandum from Counsel dated December 16th on letter dated October 23rd from the Governor of the Federal Reserve Bank of Dallas, inquiring as to the eligibility of notes of makers domiciled in Mexico, such notes being made payable to the Southern Trust Company of Nogales, Mexico and offered for rediscount by the First National Bank of Nogales, Arizona; Counsel stating that these notes do not comply in all respects with the Board's definition of a promissory note contained in its Regulation A and are, therefore, technically ineligible for rediscount and since they are acquired from or bear the endorsement of a nonmember bank they are also ineligible because of the

1/19/27

-12-

Board's ruling prohibiting the rediscount of nonmember bank paper except with the Board's permission. In his memorandum he stated, however, that the Board may if it desires, give permission for their rediscount and may also waive the respects in which the notes do not comply technically with Regulation A.

Upon motion by Mr. Platt, it was voted to grant permission for the rediscount of the notes in question, waiving their technical ineligibility.

Memorandum from Counsel dated December 22nd on the matter referred to the Law Committee at the meeting on November 26th, namely, the action of the last Governors' Conference in requesting the Board to use its influence at the first available opportunity to procure an amendment to Section 4 of the Federal Reserve Act defining the qualifications of directors of Class B and Class C, so as to make eligible directors of purely mutual savings banks; Counsel submitting drafts of letters to Chairmen of the Committees on Banking and Currency of the Senate and House of Representatives, recommending an amendment to Section 4 which would have the desired effect.

After discussion, it was voted to approve the proposed amendment but to withhold recommending it to Congress until the next session.

REPORTS OF STANDING COMMITTEES:

Dated, January 14th, Recommending changes in stock at Federal Reserve
17th, banks as set forth in the Auxiliary Minute Book
19th, of this date.

Approved.

Dated, January 13th, Recommending action on applications for fiduciary
powers as set forth in the Auxiliary Minute Book
of this date.

Approved.

1/19/27

-13-

REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, January 15th, 17th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.

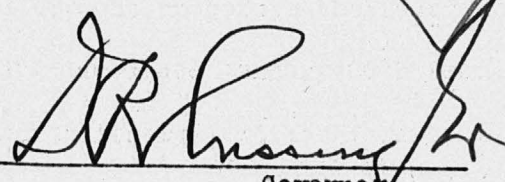
Ordered held.

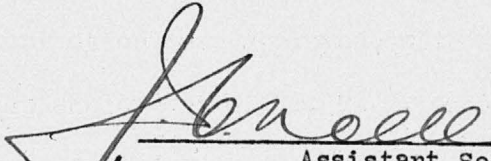
Dated, January 15th, Recommending approval of the application of Mr. Walter M. Heymann for permission to serve at the same time as officer of the First National Bank, Chicago, Ill. as director of the Liberty Trust and Savings Bank, Chicago, Ill. and as director of the West Side Trust and Savings Bank, Chicago, Ill.

Approved.

The meeting adjourned at 1:00 o'clock p.m.

Approved:


Governor.


Assistant Secretary.