

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, January 27, 1927 at 11:30 a.m.

PRESENT: Vice Governor 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 January 25th were read and approved as amended.

The Vice Governor then stated that special order of business for this morning's meeting would be the matter of the future functioning of the Havana Agency of the Federal Reserve Bank of Atlanta, recommendations concerning which by the Committee on District #6 were tentatively approved by the Board at its meeting on January 12th. He presented, with the approval of the Committee on District #6, a form of resolution prepared by the Board's Counsel, setting forth the terms and conditions under which the Federal Reserve Bank of Atlanta shall in the future be authorized to maintain and operate its Agency in Havana. Mr. James suggested that the resolution, if adopted, be made effective March 1, 1927.

Discussion then ensued, during which the proposed resolution was amended to read as follows:

"WHEREAS, by a resolution adopted at a meeting held on June 27, 1923, and amended at a meeting held on July 30, 1923, the Federal Reserve Board authorized the Federal Reserve Bank of Atlanta and the Federal Reserve Bank of Boston to establish separate agencies in Havana, Cuba, subject to certain terms and conditions defining the respective rights and powers to be exercised by each such Federal reserve bank through such agencies;

WHEREAS, pursuant to such authority, the Federal Reserve Bank of Boston and the Federal Reserve Bank of Atlanta each established an agency in Havana, Cuba, which agencies were opened for business on September 1, 1923;

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"WHEREAS, by a resolution adopted at a meeting held on December 22, 1926, and becoming effective on January 1, 1927, the Federal Reserve Board authorized the Federal Reserve Bank of Boston to discontinue its agency in Havana, Cuba, and authorized the Federal Reserve Bank of Atlanta to assume, exercise, and perform, in its own right and on its own behalf, through its agency in Havana, Cuba, all of the duties, functions, rights, powers and privileges previously performed or exercised by the Federal Reserve Bank of Boston through its agency in Havana, Cuba, in addition to the duties, functions, rights, powers and privileges then being performed or exercised by the Federal Reserve Bank of Atlanta through its agency in Havana, Cuba;

"WHEREAS, effective January 1, 1927, the agency of the Federal Reserve Bank of Boston in Havana, Cuba, was discontinued and the duties, functions, rights, powers and privileges previously performed or exercised by the Federal Reserve Bank of Boston through such agency were assumed by the Federal Reserve Bank of Atlanta and have since been exercised and performed by the Federal Reserve Bank of Atlanta through its agency in Havana, Cuba;

"WHEREAS, it now appears desirable to change in some respects the duties, functions, rights, powers and privileges to be exercised by the Federal Reserve Bank of Atlanta through its agency in Havana, Cuba;

"NOW, THEREFORE, BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, that, effective March 1, 1927, the Federal Reserve Bank of Atlanta is hereby authorized to maintain and operate its agency in Havana, Cuba, subject to the following terms and conditions:

(1) The Federal Reserve Bank of Atlanta is authorized to exercise the following powers in Havana, Cuba, through such agency:

(a) To buy, sell and collect prime bankers' acceptances and prime bills of exchange, which acceptances and bills are payable in dollars, arise out of actual import or export transactions, bear the signatures of two or more responsible parties, bear a satisfactory bank endorsement, have not more than 90 days to run, exclusive of days of grace, and are secured at the time of purchase by shipping documents evidencing the actual import or export and the actual sale of goods and conveying or securing title to such goods;

(b) To buy from, or sell to, the Republic of Cuba or any banking institution doing business in Havana, Cuba, cable transfers to or from any banking institution located in any city in the United States in which there is located a Federal Reserve Bank or a branch of a Federal Reserve Bank, charging therefor a commission at the rate of \$1.00 per \$1,000; Provided, that no such cable transfer shall by its terms be for credit to the account of any third party;

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"(c) To pay out Federal Reserve notes or other currency of the United States in such denominations as may be demanded in payment of cable transfers to Havana, or in payment of cable transfers, bankers' acceptances, or bills of exchange purchased in Havana, the kinds of currency paid out to be discretionary with the Agency;

(d) To accept any and all kinds and denominations of United States currency, including Federal Reserve notes, in payment for cable transfers, bankers' acceptances, or bills of exchange sold by it in Havana;

(e) To make direct exchanges in like denominations and amounts of new or fit currency for mutilated or unfit currency tendered by the Treasury of the Republic of Cuba or by any banking institution doing business in Havana, charging for such exchanges a commission at the rate of \$1.00 per \$1,000; and

(f) To exercise only such incidental powers as shall be necessary to the exercise of the above powers;

(2) The maintenance and operation of such agency in Havana, Cuba, by the Federal Reserve Bank of Atlanta and the exercise of the above powers through such agency shall be subject to such changes and such further rules and regulations as the Federal Reserve Board may prescribe from time to time;

(3) The Federal Reserve Board expressly reserves the right to revoke at any time its consent to the continuance of such agency by the Federal Reserve Bank of Atlanta, to require the discontinuance of such agency, or to authorize the establishment of new agencies whenever in its discretion it considers it desirable to do so;

BE IT FURTHER RESOLVED THAT, effective March 1, 1927, this resolution shall supersede the resolution on this subject adopted by the Federal Reserve Board on June 27, 1923, and amended on July 30, 1923, and the resolution on this subject adopted by the Federal Reserve Board on December 22, 1926."

Mr. Hamlin then moved adoption of the resolution as amended.

Mr. Hamlin's motion being put by the Chair was carried, Mr. Miller not voting.

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Mr. Hamlin then moved that Mr. James and Mr. Eddy, the Board's Secretary, be authorized to proceed to Atlanta to confer in connection with final arrangements of details of the operation of the agency and to Havana to investigate the matter of the ultimate location of the agency.

Carried.

Mr. James then moved that a certified copy of the above resolution, duly authenticated by the Department of State and the Cuban Consul, be transmitted to the Federal Reserve Bank of Atlanta in order that it may be filed in Cuba with a new power of attorney.

Carried.

Telegram dated January 26th 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 26th from the Federal Reserve Agent at San Francisco, advising that subject to the Board's approval he has temporarily appointed Mr. Graham A. Snow as examiner, effective that day; the Federal Reserve Agent stating that Mr. Snow is at present a Collecting Agent at the Salt Lake City Branch with salary at the rate of \$3,300 per annum, which will be increased to \$3,600 if and when the appointment as examiner is made permanent.

Approved.

Letter dated January 25th from the Secretary of the Federal Reserve Bank of New York, advising of the reappointment of Mr. James S. Alexander as member of the Federal Advisory Council from the 2nd District for the year 1927.

Noted.

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Letter dated January 18th from the Federal Reserve Agent at San Francisco, transmitting an analysis of report of examination of the Pacific Southwest Trust and Savings Bank of Los Angeles, as conducted by the State Banking Department under date of February 6, 1926; together with a memorandum concerning the analysis prepared by the Chief Examiner of the bank.

Ordered circulated.

Memorandum from Counsel dated January 18th on the matter referred to the Law Committee at the meeting on January 13th, namely, letter dated January 5th from the President of the Seaboard National Bank, Los Angeles, Cal., inquiring whether there is any way in which the bank could qualify for permission to exercise trust powers without increasing its surplus of \$100,000, which is less than 20% of its capital, as usually required by the Board of banks exercising trust powers; Counsel stating that exceptions have been made to the policy of requiring a 20% surplus and that the Board may consider this to be a proper case for such an exception but that it is a question for decision by the Board.

Referred back to the Law Committee for recommendation.

Letter dated January 20th from Professor O. M. W. Sprague, advising that he could at any time during the two weeks following the date of his letter come to Washington if desired for the purpose of going over with the Board the report submitted by the special committee appointed to investigate the desirability of setting up in the Board's organization a Division of Credit Information.

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After discussion, the Vice Governor was requested to thank Professor Sprague for his offer to come to Washington and advise him that the Board does not deem it advisable to take up the matter referred to at this time in view of the survey being made by Mr. Gilbert.

Report of Committee on District #7 dated January 27th, with reference to the request of the directors of the Federal Reserve Bank of Chicago for reconsideration of the Board's action of December 22nd in disapproving recommendations for increases in the salaries of Mr. J. H. Blair, Deputy Governor of the bank and Mr. Arthur Olson, Confidential Secretary to the Governor; the Committee recommending (1) That the Chairman of the Federal Reserve Bank of Chicago be directed to advise the board of directors of the bank that the Board deems it inadvisable to increase the salary of Deputy Governor Blair at this time and (2) That the request for reconsideration of the Board's action in refusing an increase in the salary of Mr. Arthur Olson, Confidential Secretary to Governor McDougal, be indefinitely postponed.

After discussion, upon motion by Mr. Cunningham, the recommendations of the Committee were approved.

Reports of Committee on Salaries and Expenditures dated January 24th and 26th, presenting report submitted by the Federal Reserve Bank of New York, covering adjustments in salaries and grades of employees which were made during the year 1926 under the plan for standardization of salaries at that bank approved by the Board on January 12th, 1926; the Committee reporting that it has carefully examined the report, finds that all of the adjustments were made in accordance with the plan approved by the Board and recommends that the salary schedule be approved as submitted.

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Upon motion, the recommendation of the Committee was adopted and the salary schedule submitted by the Federal Reserve Bank of New York was approved.

The Vice Governor then presented a telegram dated January 26th from the President of the American Trust Company of San Francisco, with reference to the Board's action in disapproving that bank's application for permission to acquire the Bank of Sausalito with its branch at Tiburon and to establish branches in the premises.

After discussion, the above telegram was noted, without action.

REPORTS OF STANDING COMMITTEES:

Dated, January 26th, 27th, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date. Approved.

Dated, January 25th, Recommending action on application for fiduciary powers as set forth in the Auxiliary Minute Book of this date. Approved.

Dated, January 25th, Recommending action on application for admission of state bank, subject to the conditions stated in the individual reports attached to the application, as set forth in the Auxiliary Minute Book of this date. Approved.

Dated, January 24th, Recommending approval of the application of Mr. W. S. Calderwood for permission to serve at the same time as director and officer of the First National Bank, Kane, Pa. as director and officer of the Peoples Bank and Trust Company, Erie, Pa. and as director and officer of the Mt. Jewett National Bank, Mt. Jewett, Pa. Approved.

The meeting adjourned at 1:20 p.m.

*Wm. R. Gilly*  
Secretary.

Approved: *Edmund Platt*  
Vice-Governor.