

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Friday, January 28, 1927 at 11:15 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 27th were read and approved as amended.

Report of Committee on Examinations on letter dated January 26th from the Federal Reserve Agent at Richmond, recommending approval of an application of the Petersburg Savings and Trust Company, Petersburg, Va. for permission to absorb The American Bank and Trust Company of Petersburg, a non-member, and advising that the bank will change its name to The Petersburg Savings and American Trust Company, charge off certain losses and doubtful assets and increase its capital to \$750,000, its surplus to \$250,000, and undivided profits to \$50,000; the Committee also recommending approval.

Approved.

Report of Committee on Salaries and Expenditures on letter dated January 25th from the Federal Reserve Agent at Chicago, requesting approval of the appointment of Mr. Leonard B. Achor as Assistant Examiner, with salary of not to exceed \$3600 per annum; the Committee recommending approval.

Approved.

Letter dated January 27th 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.

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Telegram dated January 27th 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 dated January 27th from the Director of the Board's Division of Research and Statistics, referring to the request made by the Board at the meeting on February 9, 1926 that it be furnished with a statement of losses in connection with failed banks throughout the country; the Director reporting that practically all of the available information is in the office of the Comptroller of the Currency, who has expressed a preference to make a report on this subject to the Board himself and who is prepared to do so orally at any time the Board may desire.

Mr. Hamlin moved that in view of the Comptroller's desire to report this matter personally, the Board withdraw the request made of the Director of the Division of Research and Statistics.

Carried.

Report of Executive Committee on letter dated January 27th from the Comptroller of the Currency, requesting approval of a salary of \$4500 per annum for National Bank Examiner E. O. Detlefsen, who has been assigned to examine certain foreign branches of national banks; the Committee recommending approval.

Approved.

Letter dated January 22nd from the Assistant Federal Reserve Agent at San Francisco, transmitting newspaper clippings with reference to the appointment of Mr. Will C. Wood as successor to Mr. John F. Johnson, Superin-

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tendent of Banking of California.

Ordered circulated.

Memorandum from Counsel dated January 28th with reference to the application of The Marine National Bank of Pittsburgh, Pa. for permission to act as registrar of stocks and bonds and as transfer agent; Counsel stating that the power to act as transfer agent is not among those specifically enumerated in Section 11 (k) of the Federal Reserve Act and recommending that if the Board desires to approve the application of the Marine National Bank it do so only as to registrar of stocks and bonds, advise The Marine National Bank that it has ruled that a national bank which has received permission to exercise the general power may act as transfer agent if competing state corporations are permitted to so act under the laws of the state in which the national bank is located, and suggest that if the laws of Pennsylvania permit state banks and trust companies competing with national banks to act as transfer agent and the bank desires to act in that capacity it should file a supplemental application with the Board for permission to exercise the general power.

Upon motion by Mr. Hamlin, Counsel's recommendation was approved and it was voted to approve the application of The Marine National Bank for permission to act as registrar of stocks and bonds.

Memorandum from Counsel dated January 26th approved by the Law Committee, with reference to letter dated January 14th from the Deputy Governor of the Federal Reserve Bank of Philadelphia inquiring as to the eligibility for rediscount of a note secured by an Adjusted Service Certificate upon which interest has been collected in advance at a rate sufficiently

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under 6% which in terms of true interest would bring the yield upon the note within the limitations prescribed by the World War Adjusted Compensation Act; Counsel submitting draft of a reply and suggesting a circular letter to all Federal Reserve banks advising that the matter has been taken up with the Director of the Veterans Bureau who has advised the Board that the Bureau will honor the notes described and make redemption upon proper presentation and that in view of this ruling the Board is of the opinion that such notes are eligible for rediscount at Federal Reserve banks.

Upon motion, the proposed reply was approved and a circular letter along the same lines was ordered transmitted to all Federal Reserve banks.

Matter referred to the Law Committee at the meeting on January 25th, namely, memorandum from Counsel dated January 18th submitting draft of reply to letter dated January 10th from the Deputy Comptroller of the Currency inquiring whether a national bank in Pennsylvania, authorized to exercise trust powers, may deposit funds of its trust department in its commercial department upon condition that it first set aside in its trust department United States bonds or other securities approved by the Federal Reserve Board, or whether it must deposit such funds in another bank in accordance with the laws of the state of Pennsylvania; the proposed reply stating that while many national banks in Pennsylvania are complying with the requirements of state law they are not compelled to do so but may legally carry their uninvested trust funds in their own commercial departments if they so desire, under the terms and conditions of the Federal Reserve Act and the Board's Regulations.

Upon motion, the proposed reply was approved.

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Memorandum from the Secretary dated January 25th, approved by the Committee on District #7, with reference to letter dated January 7th from the Federal Reserve Agent at Chicago requesting instructions as to whether it would be permissible for him, in accordance with the arrangement now in effect at the head office, to designate an employee in the Discount Department of the Detroit Branch as his representative to act, in the absence of the Assistant Federal Reserve Agent at the branch, with a representative appointed by the bank, as joint custodian of paper pledged as security for Federal Reserve notes and held at the branch; the Secretary stating he is inclined to think that any technical objection to such an arrangement might be waived in view of the fact that Federal Reserve notes issued to a Federal Reserve bank become a first and paramount lien on all of the assets of the bank and do not rest solely on the collateral pledged with the Federal Reserve Agent.

Upon motion, it was voted to concur with the opinion expressed by the Secretary in his memorandum and to advise the Federal Reserve Agent at Chicago accordingly.

The Vice Governor then presented the following telegram dated January 27th from the Federal Reserve Agent at San Francisco:

"Board's disapproval application to take over Bank of Sausalito has placed American Trust Company in most embarrassing position having already purchased bank through Mercantile Securities Company upon preliminary application for and receipt of Board's approval. While this approval did not commit Board to final approval to convert into branches it was taken as an indication that there were no objections and deal was thus consummated. If McFadden Bill passes and becomes a law they will be left with bank on their hands and no means of bringing it into their organization later. Sausalito and Tiburon are both contiguous to San Francisco the same as Oakland, Alameda and Berkeley and establishment of these two branches would fit nicely into banks branch extension program to cover the Bay Cities. We believe Bank's organization and control are sufficient to assimilate these additional branches. May I be advised as to grounds on which Board has based its disapproval?"

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The Vice Governor stated he had prepared a reply thereto which he read to the Board.

Mr. Miller suggested that the telegram from the Federal Reserve Agent be replied to as follows:

"Replying your wire 27th with respect to application American Trust Company to establish branches at Sausalito and Tiburon Board would like to be informed of what your records show with respect to Board ever having granted approval to American Trust Company establishing branches referred to."

Mr. Hamlin suggested that the Board's reply be confined to a statement to the effect that the Board does not understand the Federal Reserve Agent's reference in his telegram to a "preliminary application" filed by the American Trust Company and "receipt of Board's approval" to take over the Bank of Sausalito with its branch at Tiburon and to establish branches in the premises.

Mr. Miller then suggested that the Board's reply to the Federal Reserve Agent's telegram be made along the following lines:

"Replying your wire January 27th. Board does not understand statement contained therein that American Trust Company purchased Bank of Sausalito 'upon preliminary application for and receipt of Board's approval' and would like to be informed of what your records show with reference to the Board ever having granted approval to an application of the American Trust Company for permission to take over the Bank of Sausalito with its Tiburon branch and to establish branches in their premises."

The Vice Governor stated that he would prepare such a telegraphic reply.

Letter dated January 21st from the Executive Committee of the Federal Reserve Bank of Atlanta, recommending approval of the action of the Citizens and Southern Bank of Savannah, Ga. on January 3, 1927 in assuming the deposit liability and purchasing certain of the assets of the Citizens Bank of Valdosta; together with recommendation of Mr. Platt, Chairman of the Committee on Examinations, that the Board's approval be given, and a report by Mr. Cunningham,

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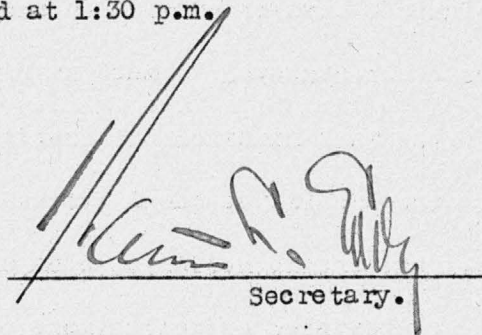
the other member of the Committee on Examinations, as follows:

"I would recommend that the Federal Reserve Agent at Atlanta be requested to make a simultaneous examination of the Citizens and Southern Bank of Savannah, Ga. and all of its branches.

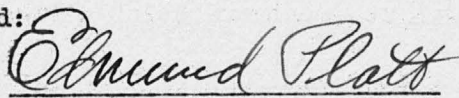
Pending the time when such examination can be made and the reports of same forwarded to the Board where they can be analysed and reported upon by Mr. Gilbert, I would suggest that no final ruling be made by the Board upon the action taken by the Citizens and Southern Bank in regard to the purchasing of the assets and assumption of deposit liabilities of the Citizens Bank of Valdosta, Ga."

Upon motion by Mr. Cunningham, the recommendations contained in his report were approved.

The meeting adjourned at 1:30 p.m.


Secretary.

Approved:


Vice-Governor.