

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Tuesday, February 1, 1927 at 11:00 a.m.

PRESENT: Governor Crissinger
Mr. 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 28th were read and approved.

Mr. James then referred to the action of the Board at that meeting in voting to request the Federal Reserve Agent at Atlanta to make a simultaneous examination of the Citizens and Southern Bank of Savannah, Ga. and all of its branches. He stated that the Citizens and Southern Bank was operating ten offices and that the Federal Reserve Agent at Atlanta was not in position with his staff alone to make an examination of the institution. He suggested that the matter of the examination be referred to Mr. Herson, the Board's Chief Examiner, or Mr. Gilbert, Supervisor of Member Bank Examination, and that before the Board's request is forwarded to Atlanta either Mr. Gilbert or Mr. Herson be authorized to take the matter up with the Federal Reserve Agent at Atlanta in a confidential way and prepare for the examination. He called attention to the fact that the Board's examining force is now at the Federal Reserve Bank of Atlanta and if desired could be called upon to assist in the proposed examination of the Citizens and Southern Bank.

Thereupon ensued a discussion as to the Board's responsibility in the matter of the examination referred to, following which Mr. Hamlin moved that the Board's

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"action of January 28th in voting "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" be changed to "That the Federal Reserve Agent at Atlanta be directed to make a simultaneous examination of the Citizens and Southern Bank of Savannah, Ga. and all of its branches."

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

Mr. Hamlin then moved that the details of arranging for the examination be referred to the Governor with power.

Carried.

The Secretary then referred to the action of the Board at the meeting on January 25th, namely, in voting to approve the minutes of the meeting held on January 19th, with the exception of the entry relating to the memorandum submitted by the Governor regarding the appointment as Examiner of Mr. M. D. Smiley, in which memorandum the Governor stated that both he and the Comptroller of the Currency "members of the special committee in charge of the formulation of the new Division of Member Bank Examination" approve the appointment. The Secretary called attention to the fact that the authority granted to the Governor on August 11, 1926, for the employment of a number of examiners was suspended under resolutions adopted by the Board on November 22, 1926, until the results of the survey being undertaken by Mr. Gilbert are available, when it will be determined how far it may be necessary for the Board to go in its undertaking member bank examinations through a Division of Member Bank Examination.

Following a brief discussion, the entry in question was amended and the minutes of the meeting of January 19th were formally approved.

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Telegram dated January 28th from the Chairman of the Federal Reserve Bank of Chicago, 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.

Matter approved on initials yesterday, namely, application of the Marshall National Bank of Marshall, Va. for permission to exercise general fiduciary powers.

Formally approved.

Memorandum from Counsel, dated January 26th, with reference to the application of Mr. T. M. Shelton for permission to serve at the same time as director of the First National Bank and the American Trust Company, both of Charlotte, N. C.; Counsel recommending that the Board temporarily refuse the application, advise the applicant that on the evidence before it it can not permit him to serve the institutions named and request that he furnish the Board with additional information, the Board's refusal to become final unless it is notified within thirty days that he desires to submit such further information in support of his application.

Upon motion, Counsel's recommendation was approved and the application was temporarily refused with the usual opportunity to the applicant to furnish within thirty days further information in support thereof.

Matter approved on initials on January 28th, namely, letter dated January 27th from the Comptroller of the Currency, requesting approval of a salary of \$4500 per annum for National Bank Examiner Albert P. Luscombe, assigned to examine certain foreign branches of national banks.

Formally approved.

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Report of Executive Committee on letter dated January 27th from the Comptroller of the Currency, recommending approval of a salary of \$4,000 per annum for National Bank Examiner Amos B. Foy, assigned to examine foreign branches of national banks; the Committee recommending approval.

Approved.

Report of Executive Committee concurring in recommendation contained in letter dated January 31st from the Comptroller of the Currency, for increases in the salaries of the following national bank examiners:

A. P. Luscombe	-	\$4500 to \$6500
E. O. Detlefsen	-	4500 to 6500
Amos B. Foy	-	4000 to 6000

Approved.

Report of Committee on Examinations on letter dated January 26th from the Assistant Federal Reserve Agent at Cleveland, recommending approval of an application of the Pearl - Market Bank of Cincinnati, Ohio for permission under its conditions of membership to change its name to the Pearl - Market Bank and Trust Company and to exercise fiduciary powers; the Committee recommending approval, subject to approval by the State Banking Department of Ohio.

Upon motion, the recommendation of the Committee was approved.

Letter dated January 29th from Mr. M. D. Smiley, declining the appointment as examiner offered him in accordance with the action taken by the Board at the meeting on January 19th.

Noted.

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Letter dated January 28th from the Chairman of the Federal Reserve Bank at Philadelphia, inviting the members of the Board to attend the annual meeting of the Bank Relations Committee of the Bankers' Associations of the 3rd District to be held at the Federal Reserve bank on February 7th.

Referred to the Governor.

Letter dated January 27th from the Vice President of the Vandeventer Trust Company of St. Louis, a non-member bank, inquiring whether the Federal Reserve banks guarantee deposits of member banks and whether in case of the failure of a member bank the Federal Reserve bank will pay all of the member banks' depositors in full.

After discussion, the Governor was requested to prepare and submit to the Board a form of reply to the above letter.

Letter dated January 28th from the Assistant Federal Reserve Agent at Dallas, submitting for the Board's approval a proposed reply to a request for information regarding the operations of that bank and an outline of any distinctive services.

The proposed reply was read to the Board, and upon motion was approved and ordered transmitted.

Memorandum from Counsel, dated January 28th, submitting draft of reply to letter dated January 15th from the Governor of the Federal Reserve Bank of Kansas City, inquiring whether certain notes held by a member bank, bearing the endorsement of officers of non-member banks, are eligible for rediscount at the Federal Reserve bank; the proposed reply stating that notes payable to the officer of a non-member bank and endorsed by him to a member bank may not be rediscounted by the Federal Reserve bank except with the Board's express permission.

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Thereupon ensued a discussion, during which it was the consensus of opinion that the circumstances surrounding the making of the notes in question are not in conformity with sound banking practice, and the proposed reply was referred back to the Law Committee for revision along that line.

The Governor then submitted a memorandum dated January 5th from Counsel, with reference to the suggestions and recommendations of the recent Conferences of Governors and Federal Reserve Agents, with regard to the granting and regulating of trust powers of national banks.

Mr. Hamlin moved that the subject of the memorandum be made special order of business for a meeting to be fixed by the Governor.

Carried.

Memorandum dated January 13th from Counsel, submitting draft of reply to letter dated December 9th from the Governor of the Federal Reserve Bank of Dallas, with reference to the interpretation of the words "agricultural products" in the third paragraph of Section 13 of the Federal Reserve Act permitting the rediscount of sight and demand drafts; the proposed reply commenting upon Governor Talley's suggestion that the Board would be justified in giving these words a more liberal interpretation and in holding that cottonseed oil, and perhaps flour and bran, are agricultural products but stating that the Board feels that the remedy in this matter lies in an amendment to the law by Congress rather than in a forced or strained interpretation of the existing statute.

After discussion, it was voted to approve the proposed letter to Governor Talley but to defer the transmittal of letters, prepared by Counsel, to the Chairmen of the Committees on Banking and Currency of the Senate and the House of Representatives recommending the enactment of an amendment to Section 13.

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The Secretary was directed to bring this amendment to the attention of the Board at the time it takes up the other proposed amendments on which action has been deferred until the next session of Congress.

The Governor then submitted the report of the last examination of the Federal Reserve Bank of Cleveland, made as at the close of business October 16, 1926, and called attention to the failure of the board of directors of that bank to take action on the letter addressed to the Chairman of that board under date of March 29, 1926, advising that the payment of salary of Mr. D. C. Wills, Federal Reserve Agent, from the date of his death to December 31, 1925, was without warrant in law.

After discussion, the Law Committee was requested to prepare an appropriate letter to the Chairman of the Federal Reserve Bank of Cleveland.

REPORTS OF STANDING COMMITTEES:

- Dated, January 28th, 31st, Recommending changes in stock at Federal Reserve banks as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, January 28th, Recommending action on applications for fiduciary powers as set forth in the Auxiliary Minute Book of this date.
Approved.
- Dated, January 31st, 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 29th, 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.
Disapproved.
- Dated, January 29th, Recommending approval of the application of Mr. B. E. Anderson for permission to serve at the same time as Vice President and director of the Capital National Bank, Lansing, Mich. and as director of the Loan and Deposit State Bank, Grand Ledge, Mich.
Approved.

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REPORTS OF STANDING COMMITTEES: (Cont'd)

Dated, January 29th, Recommending approval of the application of Mr. Beveridge C. Dunlop for permission to serve at the same time as director of the First National Bank, Spring Valley, N.Y. and as director of the Garfield National Bank, New York, N.Y.

Approved.

Dated, January 29th, Recommending approval of the application of Mr. H. H. Wilkinson for permission to serve at the same time as Vice President and director of the Continental National Bank, Ft. Worth, Texas and as President and Director of the City National Bank, Sweetwater, Texas and as President and director of the First National Bank, Hamlin, Texas.

Approved.

Dated, January 29th, Recommending approval of the application of Mr. A.B.C. Hardy for permission to serve at the same time as director of the Capital National Bank, Lansing, Mich. and as director of the Union Joint Stock Land Bank, Detroit, Mich.

Approved.


Dated, January 27th, Recommending approval of the application of Mr. Byron G. Graff for permission to serve at the same time as director and officer of the Washington Park National Bank, Chicago, Ill. and as director and officer of the State Bank of West Pullman, Chicago, Ill.

Approved.

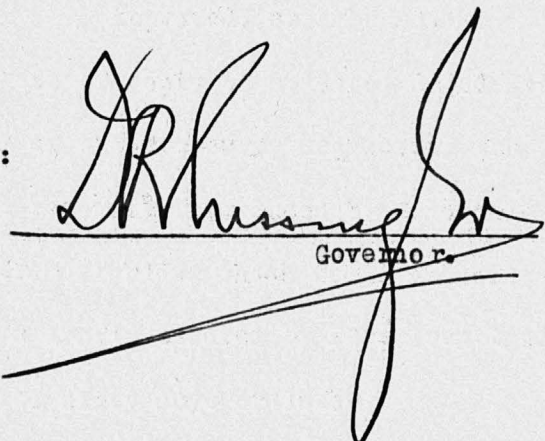
Dated, January 27th, Recommending approval of the application of Mr. Arthur E. Simpson for permission to serve at the same time as director of the National City Bank, St. Louis, Mo. and as director of the Sarah-Olive Bank of St. Louis, Mo.

Approved.

The meeting adjourned at 12:40 p.m.


Secretary.

Approved:


Governor.